DOCUMENT RESUME

ED 234 491 EA 016 078

AUTHOR	Darling-Hammond, Linda; Marks, Ellen L.
TITLE	The New Federalism in Education: State Responses to the 1981 Education Consolidation and Improvement Act.
INSTITUTION	Rand Corp., Santa Monica, Calif.
SPONS AGENCY	Department of Education, Washington, DC.
REPORT NO	ISBN-0-8330-0491-3; RAND/R-3008-ED
PUB DATE	Feb 83
CONTRACT	300-79-0522
NOTE	102p.
AVAILABLE FROM	Publications, The Rand Corporation, 1700 Main Street, Santa Monica, CA 90406 ($7.50).
PUB TYPE	Reports - Evaluative/Feasibility (142)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Advisory Committees; Decision Making; Educational Finance; Elementary Secondary Education; *Federal Aid; *Federal Legislation; *Federal Programs; *Federal Regulation; Federal State Relationship; Finance Reform; Financial Problems; Governing Boards; *Program Administration; Program Improvement; School Budget Elections; School Funds; School Taxes; State Agencies; State Departments of Education; *State Federal Aid; State Government; State Legislation
IDENTIFIERS	Department of Education; Education Consolidation and Improvement Act 1981; New Federalism

ABSTRACT

The Education Consolidation and Improvement Act (ECIA) of 1981 is intended to provide opportunities for states and local governments to have more control of their educational programs and to deregulate the administration of federal programs. Introduced at a time when state funding and revenue systems are in flux and severely depleted, it presents states with many unanswered questions. ECIA funds are intended for working on school improvement programs, but lowered funding means officials' attention will be directed toward maintenance of existing programs. Decision-making relationships are left unclear by the ECIA, and compliance standards are uncertain. Chapter 1 of the ECIA will reduce educational services in nearly all school systems, and chapter 2 will do the same in at least the major cities. State education officials are concerned about the lack of direction provided by the United States Department of Education with respect to acceptable practices to be used in administering the ECIA. The amount of deregulation resulting from the ECIA is minimal; in some cases centralized decision-making is increased by the ECIA's policy of nonspecificity. State officials are keenly aware of the ambiguities in chapter 3, which extends responsibility to the states at the same time that it withholds controls. Further research on the effects of the ECIA should focus on administrative and programmatic changes that occur after implementation. (MD)

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The New Federalism in Education

State Responses to the 1981 Education Consolidation and Improvement Act

Linda Darling-Hammond and Ellen L. Marks

35th Year Rand

This project has been funded at least in part with Federal funds from the U.S. Department of Education.

ISBN 0-8330-0491-3

The Rand Publications Series: The Report is the principal publication documenting and transmitting Rand's major research findings and final research results. The Rand Note reports other outputs of sponsored research for general distribution. Publications of The Rand Corporation do not necessarily reflect the opinions or policies of the sponsors of Rand research.

Published by The Rand Corporation

R-3008-ED

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PREFACE

This report analyzes the responses of nine states to changes in federal education law and policy that resulted from the Education Consolidation and Improvement Act of 1981. The act consolidated and deregulated a number of existing federal education programs. The study reviews the statutory provisions, existing conditions in the nine states, and the responses of these states to the new law. It also assesses the likely effects of the act. The research was supported by the U.S. Department of Education under contract 300-79-0522.

The report is intended for federal and state policymakers who want to know how changes in the law are interpreted and implemented. The research also provides a basis for anticipating outcomes from future changes in federal education policy. The description and assessment of the division of responsibilities between the U.S. and state governments may interest students of federal-state relations.

SUMMARY

THE EDUCATION CONSOLIDATION AND IMPROVEMENT ACT

This report examines early state-level preparations for administering the newly consolidated and deregulated programs included in the Education Consolidation and Improvement Act (ECIA). It is based on on-site interviews with education officials in nine states.

Congress enacted the ECIA as part of the Omnibus Reconciliation Act of 1981.[1] This act is part of the new federalism--the Reagan Administration's effort to decrease federal intervention in and financial support of domestic social endeavors. As part of the budget reconciliation process, the ECIA was passed hurriedly, with little legislative history to guide its implementation.

Chapter 1 of the ECIA is intended to streamline and remove some prescriptiveness from its antecedent program, Title I of the Elementary and Secondary Education Act (ESEA), the largest elementary and secondary federal education program. Chapter 1 provides compensatory education, most often reading and mathematics instruction, to children from disadvantaged backgrounds. Chapter 1 funds, amounting to $3.034 billion in FY 1982, are awarded on the basis of a formula, primarily to local educational agencies (LEAs). A state educational agency (SEA) receives a small grant to be used for administration.

Chapter 2 of the ECIA, consolidating nearly 30 categorical programs into a single block grant, was funded at $456 million in FY 1982. Awards are made to SEAs on the basis of their school-age populations. SEAs are required to distribute at least 80 percent of these funds to LEAs; the mechanism for distribution is a state-determined formula based on public and nonpublic enrollments adjusted for "high-cost" students.

LEAs may expend Chapter 2 funds in three major areas: basic skills development, educational improvement and support services, and special projects. In essence, LEAs are permitted to use their awards to carry out the purposes of any program consolidated into Chapter 2, including desegregation, libraries and instructional resources, innovative

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[1] Public Law 97-35, August 13, 1981.

projects, and metric, consumer, and arts education. SEAs may use their portion (up to 20 percent) for program-related activities such as training, materials development, dissemination, planning, technical assistance, administration, monitoring, and enforcement activities.

Chapter 3 of the ECIA authorizes the Secretary of Education to issue regulations in a few specific areas. At the same time, Chapter 3 prohibits regulations "in all other matters relating to the details of planning, developing, implementing, and evaluating programs and projects" by SEAs and LEAs.[2] Instead, the secretary may consult with recipients of ECIA funds and provide "technical assistance, information, and suggested guidelines" upon request. Chapter 3 also empowers the secretary to withhold funds from noncompliant state and local educational agencies.

A CONTEXT FOR ASSESSING THE ECIA

The primary concern of state officials responsible for implementing the ECIA was uncertainty. Because Congress had yet to pass a budget, states were dealing with variable appropriations projections under continuing resolutions. Final rules, which were not issued until after the act took effect, were rescinded and then reissued months later. Questions of intergovernmental roles and fiscal, programmatic, and planning requirements remained unanswered as the states planned their ECIA-funded activities.

The condition of education in the states compounded these federally induced uncertainties. Educational policy development at the state level has taken on a new character over the past decade as the state responsibility for financing schools has grown and as pressures for state-initiated school accountability measures have increased.

The fiscal limitations confronting state governments conflict with this recent growth in state education activity. Changes have occurred in state revenue systems, social service funding, public employment levels, and approaches to service provision. The ECIA is being introduced at a time when state revenue and funding systems are in flux and when SEAs are contracting and reorganizing in response to fiscal pressures and changed missions.

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[2] Ibid., Sec. 591.

STATE RESPONSES TO THE ECIA

Three categories of state responses were analyzed: (1) the divisions of responsibility among state government actors for ECIA planning and decisionmaking; (2) planning and decisionmaking processes for ECIA administration; and (3) funding and program decisions related to the ECIA.

Roles of State Government Actors

State educational agencies (typically the state department of education), state boards of education, the Chapter 2 advisory committees, state legislatures, and governors have all been involved in ECIA planning and decisionmaking. Although the SEA is to administer the law, many state boards of education have greater legal authority than the state departments of education, and a number of state legislatures have authority to reappropriate federal funds. Many of our state respondents saw the ECIA as an opportunity for the state board of education or the legislature (or both) to gain more control over educational decisionmaking.

Uncertainty about the division of responsibilities among state government actors and the appropriate internal approval process for making decisions about Chapter 2 administration delayed decisionmaking in some states. In others, it encouraged greater information sharing among state governmental bodies.

Planning and Decisionmaking Processes

Despite the interests in the ECIA of various state government actors, the primary responsibility for organizing the decisionmaking process fell to SEAs. The degree of influence that they exerted and the methods that they used varied from state to state. Some SEAs participated actively in shaping Chapter 2 programs and fund allocations; others played a supportive role to the Chapter 2 advisory committee or state board of education.

All of the SEAs that we visited were making decisions about ECIA administration in the context of broader changes in organizational staffing and service delivery. Officials making the decisions included

more high-level generalists than had participated in decisionmaking for earlier federal programs.

Many state departments of education that had relied on federal financial support for about 50 percent of their budgets face severe funding losses. The major sources of their funds were folded into Chapter 2, and the Chapter 1 set-aside for SEAs was reduced from Title I levels. Most SEAs are also facing reductions in state-funded staff positions. These funding reductions, plus additional state responsibilities under the ECIA (many of which are not clearly defined), have forced states to examine their staffing patterns, activities, and leadership functions. Many SEA functions are being decategorized and some services are being reduced in scope as officials adjust to the new programmatic and funding situations posed by the ECIA.

Funding and Program Decisions

The ECIA changed the distribution of federal funds to educational agencies. Chapter 1 appropriations will reduce funds to all recipient agencies, but the act uses the same basic allocation formula as Title I. Chapter 2 redistributes funds so that all districts receive some award (averaging between $4 and $10 per student), but many state departments of education, institutions of higher education, regional service centers, and districts that had successfully competed for earlier grants will receive less under Chapter 2. Urban districts that had received grants from the Emergency School Aid Act (ESAA) for desegregation assistance will lose most. State officials expected that ECIA funding cutbacks would not be offset by increases in state funds, for either SEAs or LEAs.

Allocation formulas for dispensing Chapter 2 funds, devised by the states themselves, reflect differential efforts to maintain prior funding patterns and varying state commitments to special pupil populations. The adjustment for high-cost pupils in our sample states was between 12 and 60 percent of the flow-through funds.

Both Chapters 1 and 2 of the ECIA aim to give state and local educational agencies more flexibility in deciding how to use federal aid to advance federal purposes. In the most formal exercise in priority-setting for the ECIA during the planning phase, SEAs--together with

their advisory committees, boards of education, and, sometimes, state legislatures--decided how they would use the state portion of the Chapter 2 allocations. Most are devoting some funds to support state board priorities. A number of states have designated a certain percentage to be used for competitive grants to LEAs.

The effects of Chapter 2 on state administrative and support activities are not yet known. We know, however, that the reductions in funds to SEAs will decrease their capacity to provide (1) leadership, dissemination, and technical assistance to local districts and (2) the program management and regulatory functions formerly conducted for federal and state programs.

The ECIA is intended to reduce restrictions on the local use of federal funds. Despite this intention, the ECIA may instead reduce local discretion by failing to specify appropriate and allowable expenditures, especially for Chapter 1.

According to the law, LEAs are free to use Chapter 2 funds for any of the broad and numerous purposes specified. Many officials expect local districts to treat Chapter 2 funds as "soft monies," using them to purchase books, equipment, or microcomputers rather than direct program services.

INTERGOVERNMENTAL IMPLICATIONS OF THE ECIA

The ECIA incorporates elements of the Reagan Administration's new federalism--decentralization, simplification, and increased flexibility--in an attempt to improve the effectiveness and efficiency of educational programs at the local level. How well the ECIA will achieve these goals must be assessed by distinguishing between consolidation and deregulation instruments and the ECIA itself, which represents consolidation and deregulation under a unique set of circumstances.

Environmental factors that will affect the ECIA's implementation include: (1) the lack of detail, specificity, and legislative history of the act; (2) the Department of Education's deliberately unprescriptive approach to rulemaking; (3) uncertainties surrounding the future shape and funding of federal education programs; and (4) fiscal retrenchment at the state and local level. Given these conditions, the ECIA may be analyzed in terms of its likely consequences in the areas of

implementation, effectiveness, efficiency, accountability, and the maintenance of federal interests.

In some ways the ECIA will mitigate implementation problems by reducing administrative burdens: applications will be shorter and simpler, and multiple applications and reporting systems have been eliminated. Yet, the ECIA may continue to cause, if not increase, administrative burdens for three reasons: (1) LEAs must now include nonpublic schools in a greater variety of planning activities and services under Chapter 2; (2) in the absence of clear record-keeping requirements, states and local districts must anticipate the information that will be requested by Department of Education officials and General Accounting Office auditors; and (3) states and localities do not know what degree of authority they have to set their own policies and standards.

The ECIA presents both opportunities for and dangers to program effectiveness. Chapter 2 may reduce the dysfunctional consequences of its antecedent categorical programs because funds can be pooled rather than confined to discrete single-purpose activities. The small size of most district allocations, however, may be inadequate to support significant, innovative efforts. Although Chapter 1 affords LEAs increased flexibility, it may also impede their operations by omitting some Title I provisions for LEA discretion; providing a greater opportunity for diffusing funds and services among more schools and students; and reducing LEA funds. Moreover, demonstrating program effectiveness may be more difficult because specific evaluation requirements for Chapter 1 have been dropped from the law, and the wide range of disparate program purposes contained in Chapter 2 makes effectiveness hard to define or measure.

Block grants and their accompanying deregulation are supposed to encourage efficient service delivery. The efficient use of ECIA resources will ultimately depend on how well states and localities can develop simpler, less intrusive, and more educationally appropriate procedures for allocating and tracking funds to programs and students. To the extent that compliance standards are lacking, the ECIA is likely to encourage conservative responses that retain most of the procedural trappings of past categorical programs.

Accountability requires political responsiveness and feedback about the results of program efforts. The inclusion of state legislators, boards of education, and advisory committees appointed by the governor in Chapter 2 planning activities increases the participation of generalists and decreases the influence of education specialists and interest groups. At the local level, the repeal of the requirement for local advisory committees may lead bureaucracies to rely less on constituent opinion.

The pursuit of federal interests is the final criterion against which the ECIA may be assessed. Two areas traditionally promoted and sponsored by the federal government are research and development and equal educational opportunity. Federal programs of the 1970s explicitly recognized the need to develop the capability of state and local educational agencies to generate and use R&D findings. The ECIA largely eliminates federal protection of the state and local R&D function.

Similarly, as a result of the inclusion of ESAA in Chapter 2, the federal government will no longer directly finance desegregation. The federal government became involved in equity matters because states and localities were unable or unwilling to address them. Without the financial and political incentives to address R&D or equity, states and localities will be unlikely to find sufficient revenues to support these goals at previous levels.

CONCLUSIONS

The ECIA represents a small first step toward realigning the intergovernmental aid system in education. It is a small step both because the consolidated programs represent a tiny fraction of education revenues and because the amount of real deregulation accompanying the new law is minimal. Indeed, in some ways the ECIA increases the importance of centralized decisionmaking because it is being administered through a policy of nonregulation, i.e., nonspecificity, rather than deregulation.

Our data suggest that future efforts at redefining the federal role should include at least the three following important features:

- o A more careful sorting of federal, state, and local functions, with explicit protection for federal purposes not likely to be assumed by smaller jurisdictions
- o Clearly specified rules to meet essential federal requirements
- o Explicit delegation to states and localities of authority over the uses of other consolidated program funds.

More careful attention to these features might produce a new federalism that addresses the problems of the old federalism without undermining its accomplishments.

ACKNOWLEDGMENTS

We thank the state legislators, state educational agency officials, and others who generously gave information, insights, and patience to help us understand the implementation and consequences of the new directions in federal education law and policy. We also thank the project monitor, Judith I. Anderson, of the Department of Education, who advised us throughout the research and commented on the draft report.

Many of our Rand colleagues contributed their time and expertise to this effort. Paul T. Hill, director of Rand's Educational Policy Center, oversaw the research and discussed our progress throughout the course of the study. Thomas K. Glennan, Jr., and Aaron Gurwitz reviewed the manuscript; their comments helped us to revise our work. Nancy Davis once again provided superb secretarial skills and good humor.

We sincerely appreciate their contributions. We alone, however, are responsible for any errors of fact or interpretation.

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I. INTRODUCTION

BACKGROUND OF THE STUDY

The Omnibus Reconciliation Act of 1981[1] "provided the Reagan Administration with a tool to put forth its economic program as a philosophical package and to restructure basic social legislation to reflect that philosophy."[2] In an attempt to eliminate many of the perceived shortcomings of the federal categorical aid system, the new act created nine federal block grant programs by consolidating 67 former categorical programs and reducing their appropriations. In all, it reshaped more than 250 federal programs totaling $36 billion.

As part of the reconciliation, the Education Consolidation and Improvement Act (ECIA) reorganized some categories of federal aid to education. Chapter 1 of the ECIA retained as a separate categorical program the former Elementary and Secondary Education Act (ESEA) Title I;[3] Chapter 2 merged some 28 education programs.[4] The consolidation

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[1] Public Law 97-35, August 13, 1981. Overviews of the act are found in Claudia Barfield, Rethinking Federalism: Block Grants and Federal, State, and Local Responsibilities, American Enterprise Institute, Washington, D.C., 1981, and Jean Peters, "Reconciliation 1982: What Happened?" PS, No. 4, Fall 1981.

[2] Peters (1981), p. 732.

[3] Title I, now Chapter 1, provides financial assistance to meet the special educational needs of disadvantaged children.

[4] The number of consolidated programs varies from 27 to 33, depending on whether previously unfunded programs or the Secretary's discretionary fund categories are included in the count. The program authorizations consolidated in Chapter 2 include those contained in ESEA Titles II, III, IV, V, VI, VIII, and IX (except Part C); the Alcohol and Drug Abuse Act; Part A and Section 532 of Title V of the Higher Education Act of 1965; the Follow Through Act, Section 3(a)(1) of the National Science Foundation Act of 1950; and the Career Education Incentive Act. These authorizations encompass a wide range of programs intended to strengthen state and local educational agencies, provide direct services to students through programs and materials, encourage staff development, and support the conduct and dissemination of research on specific educational topics.

was accompanied by some deregulation in both sets of education programs and by increased administrative responsibilities for state educational agencies. The new act, however, left unresolved many questions of legislative intent.

This report examines early state-level preparations for administering the newly consolidated and deregulated programs included in both Chapters 1 and 2 of the ECIA. The act became effective July 2, 1982; the study investigated state planning activities conducted prior to June 1982.

The state-level changes in structural divisions of responsibility, decisionmaking processes, and policies are considered in the context of several important factors other than the ECIA itself. State responses to the act are conditioned by the states having to handle up to eight other new block grant programs,[5] the substantial reduction of federal funds for education and most other social services, and the decline of most state and local government revenues as a result of economic recession and fiscal limitation measures.

Thus, the report examines the state education role in the federal system at a time when a variety of forces are converging to reshape that role. Where state-level responses are fairly clear-cut and consistent, we attempt to attribute the response to one of these factors. Where multiple factors seem to have produced a given institutional response, we portray as accurately as possible the vector of contributing variables in reporting our observations. In sum, we offer a preliminary analysis of the changing patterns of state-level decisionmaking and institutional roles spurred, but not entirely caused, by the transfers of intergovernmental responsibilities reflected in the ECIA.

Although the appropriations for the block grant portion of the consolidation act represent less than 1 percent of total elementary and secondary education expenditures in most states, the consolidation has profound implications for the state role in education. First, and perhaps most significant, the new block grants designate the state as

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[5] States may choose not to participate in some of the block grant programs.

the primary recipient and decisionmaker.[6] Although the education consolidation provides that at least 80 percent of Chapter 2 funds be passed to local educational agencies, the state determines the ultimate allocation formula for the locally directed funds.

Furthermore, the expectation that this is only the first of a series of future block grants--to be accompanied by further federal funding reductions--means that many states will consider ECIA decisions in light of both their precedential value and their implications for program and system maintenance when federal support is reduced or withdrawn. Finally, the shift in at least nominal responsibility for decisionmaking to the state level means that state policymakers, who up to now have encountered a far different set of concerns, will henceforth deal with issues and interests formerly encountered at the federal level.

PURPOSES AND METHODS OF THE STUDY

The study sought to identify the states' responses to the new policymaking responsibilities contained in the ECIA in three areas:

- Structural and institutional divisions of responsibility at the state level and among federal, state, and local levels of government
- Decisionmaking processes and the roles of various state actors in those processes
- Policy preferences of various state actors for the uses and allocations of federal funds, including education program priorities and preferred influence strategies for state agencies.

These areas of investigation indicate the major questions that motivate the research: How will the ECIA affect state roles in education policymaking? and How will the ECIA affect the nature and implementation of federal and state educational policies? Because this study was conducted during the planning stage for the administration of

[6] Advisory Commission on Intergovernmental Relations, "Federal Block Grants: The States' Early Responses," Information Bulletin 81-3, September 1981.

the act, however, the research cannot answer these questions conclusively.

The investigation of state planning processes nevertheless provides a preliminary approach to these questions by illuminating (1) the conditions and political dynamics within the states that influenced their decisions regarding ECIA administration, fund uses, and allocations, and (2) the roles and values of various state actors in that decisionmaking process and their relative capacities for influencing policy outcomes.

The study is based on interviews conducted on-site with officials of nine states. We sought to interview those officials who knew about state education policies and fiscal conditions as well as those involved in the ECIA planning efforts. We found such respondents through preliminary telephone interviews with officials in each branch of the state government who identified key actors in the ECIA planning process and described the governance of education in that state. All potential respondents contacted agreed to participate in the study.

The 10 to 15 respondents in each state typically included the chairpersons of the House and Senate education and appropriations committees or their chief staff members; the governor's staff member(s) responsible for education and human services; the state department of education officials responsible for instruction, finance, and federal programs; and at least one key member of the state board of education and/or the Chapter 2 Advisory Committee.

The nine states--Alabama, California, Colorado, Georgia, Kansas, Massachusetts, Minnesota, Missouri, and Pennsylvania--were selected to represent diversity within each of the following variables expected to influence administrative approaches, fund uses, and allocations of federal and state education monies:

- Political environment, e.g., the degree of historical commitment to education and special programs of various kinds, the extent of local control over education and other social services, the existence of strong lobbying groups for education and special needs populations

- o Financial health of the state and of state and local governmental units
- o Types and proportions of populations with special educational needs in the state
- o School funding structure, e.g., the level and proportion of state support for local public schools, the existence of special categorical programs, and the proportion of federal funds
- o Size and capacity of the state department of education, including its staff and funding levels, range of activities, and degree of autonomy relative to the legislature, governor, and state board of education.

The interviews with state officials and examination of state education policy statements, decision memoranda, and program and budget documents were designed to illuminate decisions and decisionmaking processes concerning ECIA within the context of general state education policies and other factors affecting the educational system. Interviews, lasting from one to three hours each, followed a semistructured interview guide. Every opportunity was taken to probe for more understanding of the state context, to cross-check the information and perceptions of other respondents, and to investigate the motivations and rationales for specific administrative or policy decisions made.

In analyzing the data, we sought to determine

- o How and by whom decisions about ECIA administration are made
- o What policy considerations and state characteristics most strongly influence ECIA fund uses and allocations and how the state exercises its leadership role
- o How the content and federal administration of the ECIA affect state decisions concerning ECIA fund uses, allocations, and administrative strategies

- o How state ECIA-related decisions are likely to affect federal and state policy goals.

LIMITATIONS OF THE STUDY

Several factors limit the scope and conclusions of this study. First, we conducted site visits and follow-up telephone calls during the six months before the ECIA was turned over to the states for administration. Our observations, therefore, are limited to state plans for administering the act rather than its actual implementation. Second, we systematically investigated only state-level activities. Thus, our observations about the potential effects of the act do not extend to the local level. Finally, the ECIA is only one of many factors that affect state education programs, finances, and governance. Other federal, state, and local changes in revenues for education and social services also influence states' responses to the ECIA.

The responses to education program consolidation and deregulation undoubtedly differ in the context of retrenchment from what they would be under other economic and political circumstances. Thus, our findings about the effects of the ECIA are context-bound and not necessarily suggestive of the effects of federal program consolidation more generally.

OVERVIEW OF THE REPORT

To guide our analysis of state responses to the ECIA, we compared the new legislation with the programs it replaces. This comparison is presented in Chapter II of this report. Chapter III discusses the context in which state planning for ECIA administration has taken place. We describe the political and economic factors that affect the responses of state-level decisionmakers to the new opportunities and constraints of the act. Chapter IV summarizes our findings about state plans and planning processes for ECIA administration in the states we visited.

In Chapter V, we discuss the implications of states' responses to the ECIA for their roles in the intergovernmental educational system as well as for educational policymaking at the state level. Chapter V also summarizes our findings and conclusions and suggests future research

regarding the implementation and long-term policy effects of the Education Consolidation and Improvement Act.

II. THE EDUCATION CONSOLIDATION AND IMPROVEMENT ACT

This section places the Education Consolidation and Improvement Act in the context of the Reagan Administration's overall program to reduce the size and complexity of the entire federal grant-in-aid system. It then describes the purposes and provisions of the new act.

THE NEW FEDERALISM

The size and complexity of the intergovernmental aid system as it has developed over the past two decades, many believe, has exceeded the ability of all levels of government to administer programs efficiently and effectively. The U.S. Advisory Commission on Intergovernmental Relations (ACIR) identified the following four major shortcomings in the federal aid programs:[1]

- Implementation--administrative failures, red tape, and tension between levels of government
- Effectiveness--programmatic inadequacies, poor performance, and inadequate measurable results
- Efficiency--fiscal management problems, excessive costs, and waste
- Accountability--political shortcomings, lack of adequate control and responsiveness through the political process.

These problems are generally attributed to the complexity of the federal categorical aid system and to the inability of a distant federal bureaucracy to administer programs responsive to local conditions and needs while promoting federal priorities. Some critics also point to poor program design and inadequate funding as reasons for federal program failures. Others believe that expectations have been unrealistic.

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[1] Advisory Commission on Intergovernmental Relations, The Federal Role in the Federal System: The Dynamics of Growth, Washington, D.C. July 1980, p. 5.

An increasing number of policy analysts and policymakers see the fundamental problem as a failure to adhere to what they view as sound principles of federalism. Former Senator James Buckley said in 1978:

> The major complaints about government that we hear these days--complaints about the size and complexity and cost of the federal establishment, the arrogance and inefficiency of runaway bureaucracies, the growing apathy of the American public--are all in significant degree manifestations of a single phenomenon: the withering away of a system of federalism in which a hierarchy of governmental responsibilities is clearly recognized and respected.[2]

The Reagan Administration offered the Omnibus Reconciliation Act as a solution to the problems of implementation, effectiveness, efficiency, accountability, and a clear division of intergovernmental responsibilities. The nine block grants of the Omnibus Reconciliation Act, part of the "new federalism,"[3] are designed to counteract the following specific shortcomings of the federal grant-in-aid system: (1) federal program prescriptiveness that limits the ability of local governments to respond to local problems; (2) the obfuscation of traditional divisions of responsibility among federal, state, and local governments; and (3) the proliferation of overlapping categorical programs that lead to duplication of effort, burdensome paperwork, and lack of consistency in programs.

The Advisory Commission on Intergovernmental Relations listed five characteristics that distinguish block grants from other forms of intergovernmental aid:[4]

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[2] James L. Buckley, "The Trouble with Federalism: It Isn't Being Tried," Commonsense, Vol. 1, Summer 1978.

[3] The Omnibus Reconciliation Act actually represents the "new" new federalism. The new federalism of the 1970s, especially revenue sharing, is described in Michael D. Reagan, The New Federalism, Oxford University Press, New York, 1972.

[4] Advisory Commission on Intergovernmental Relations, Block Grants: A Comparative Analysis, A-60, Washington, D.C., October 1977.

1. Federal aid is authorized for a wide range of activities within a broadly defined functional area.
2. Recipients have substantial discretion in identifying problems and designing programs and allocating resources to deal with them.
3. Administrative, fiscal reporting, planning, and other federal requirements are kept to the minimum needed to ensure that national goals are being met.
4. Federal aid is distributed on the basis of a statutory formula that narrows federal administrators' discretion with regard to fund allocations and gives the recipients a sense of fiscal certainty.
5. Eligibility provisions, specified by statute, favor general purpose governmental units as recipients and elected officials and administrative generalists as decisionmakers.

The Education Consolidation and Improvement Act contains many of the features of a block grant in its intentions to consolidate and deregulate a range of education programs. However, because it does not affect most large categorical education programs for special purposes or special populations, it only partially achieves the functional breadth described by ACIR as a block grant characteristic. We may, nonetheless, examine the ECIA in light of its block grant features to assess its probable effect on the education programs that it includes.

PURPOSES AND PROVISIONS OF THE ECIA[5]

The Education Consolidation and Improvement Act is intended to provide greater flexibility for state and local providers of education services in their uses of federal funds. Chapters 1 and 2 of the act will retain the basic purposes of the programs that they incorporated.

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[5] A detailed description of the ECIA is found in Robert Silverstein and Sandra McMullan, The Education Consolidation and Improvement Act of 1981: Its Meaning for State and Local Policymakers and Administrators, National Association of State Boards of Education, Washington, D.C., 1981.

Chapter 1 will "continue to provide financial assistance to state and local educational agencies to meet the special needs of educationally deprived children."[6] Chapter 2 will advance the purposes of the antecedent programs for improving school programs, but will be used "in accordance with the educational needs and priorities of state and local educational agencies as determined by such agencies."[7] Both chapters are intended to eliminate "burdensome, unnecessary, and unproductive paperwork," reduce prescriptive regulations and administrative burdens that do not contribute to fiscal accountability or instructional improvement, and place increased responsibility for supervision, direction, and control at the state and local levels.

The next two subsections describe how Chapters 1 and 2 of the ECIA differ from their respective antecedent programs. A third subsection discusses how Chapter 3 changes federal and state administration of the programs.

Chapter 1

Under Title I of the superseded Elementary and Secondary Education Act, federal compensatory education aid was distributed to states and local districts according to a formula based on a low-income index, including the Orshansky poverty level, a count of pupils covered by the Aid to Families with Dependent Children (AFDC) Program, and a count of publicly supported children living in foster homes or institutions.[8] The formula includes additional allocations for migratory children, handicapped students in state institutions, and neglected and delinquent students (see Table 1).

Chapter 1 funds will be disbursed according to the same basic formula as Title I funds. Current appropriations for Chapter 1, however, will be substantially lower than those under Title I.

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[6] Public Law 95-35, Sec. 552; 20 USC Sec. 3801.

[7] Ibid., Sec. 651(a). 20 USC Sec. 2601.

[8] National Institute of Education, Title I Funds Allocation: The Current Formula, U.S. Department of Health, Education, and Welfare, Washington, D.C., September 30, 1977.

Table 1

1981 TITLE I AND 1982-1983 CHAPTER 1 APPROPRIATIONS

Programs for Disadvantaged Students	Title I FY 1981 Appropriations	Chapter 1 FY 1982 Appropriations	Chapter 1 FY 1983 President's Request
Basic grants	2,512,614	2,412,756	1,726,526
State agency programs			
Migrants	266,400	255,744	167,012
Handicapped	152,625	146,520	---
Neglected & delinquent	33,975	32,616	21,886
State administration	33,930	32,573	22,100
Evaluation and studies	6,000	5,760	4,746
Concentration grants	98,773	---	---
Total	3,104,317	2,885 969	1,942,000

SOURCE: Education Daily, April 2, 1982, p. 5.

Chapter 1 differs from Title I in several other ways. Title I was aimed primarily at assisting educationally deprived students in geographic areas with the highest concentrations of students from low-income families. Eligible beneficiaries were identified according to targeting standards in an annual needs assessment conducted by local school districts. The needs assessment ensured that the most educationally needy children in either schools or attendance areas with the lowest-income students would be selected for services.

Chapter 1 states that the annual needs assessment "permits selection of these children who have the greatest need for special assistance,"[9] but does not require that those children be selected. Chapter 1 programs and projects are to be conducted (1) in attendance areas having the highest concentrations of low-income children, (2) in all attendance areas having a uniformly high concentration of such

[9] Public Law 95-35, Sec. 556(b)(2); 20 USC Sec. 3805 (emphasis added).

children, or (3) for services that promise to provide significant help for "all such children" served by a local educational agency (LEA).[10] The statute fails to define "all such children."

The provisions allowing services to "all such children" and permitting, rather than requiring, services to the most educationally needy students appear to enlarge LEA flexibility in determining student eligibility for Chapter 1 services. However, Chapter 1 fails to include the following exceptions to targeting rules specifically sanctioned by Title I:

- The authorization of school districts to direct their compensatory education programs to geographic areas with high concentrations of educationally deprived children rather than children from low-income families
- The provision allowing LEAs to target schools as well as geographic attendance areas for services
- The provision enabling formerly targeted areas that are no longer eligible in a current year to continue their programs
- The provision authorizing the continued service to children who had shown academic improvement or who had transferred to nontarget schools
- The authorization of school districts to upgrade an entire school by sponsoring school-wide projects.

Although Section 554(b) of the law states that Title I authorized expenditures in effect on September 30, 1982, may be covered by Chapter 1 funds, this provision appears to be contradicted in the immediately following section. According to Section 554(c), "the provisions of Title I . . . which are not specifically made applicable by this Chapter shall not be applicable to programs under this Chapter." The regulations for Chapter 1 do not clarify the applicability of previously allowed exceptions for targeting, nor do they give guidance as to how to apply the "all such children" provision other than defining the children as "educationally deprived, low income children."[11]

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[10] Ibid., Sec. 556(b)(1).
[11] 34 CFR Sec. 200.49(c); 47 FR 32863, July 29, 1982.

Chapter 1 includes other changes in program planning and allocation rules. School districts are no longer required to have district and school parent advisory councils; they may develop their own methods for consulting with parents. States have broader discretion in allowing the use of Chapter 1 funds for such activities as the training of educational aides; construction of facilities; planning; health, social, and nutritional services; and program evaluation.

Chapter 1 drops the Title I requirement that specific evaluation models must be used, although evaluations must still be conducted. The requirement that LEA funds must be equitably distributed to participating project areas has also been dropped. Finally, the Title I provision that prohibited consideration of federal aid to determine state aid to LEAs is omitted from Chapter 1.

Chapter 1 also changes fiscal and accountability requirements. It retains the Title I supplement-not-supplant (SNS) requirement for LEAs but allows state and local funds for Chapter 1 purposes to be excluded from the SNS determination. Proof of maintenance of effort is lowered to 90 percent of the preceding year's expenditures for free public education, and one-year waivers are allowed. Noncompliance results in a reduction of funds rather than total withholding.

Chapter 1 requires an assurance from LEAs to the state educational agency (SEA) that project areas receive services from state and local funds comparable to those of non-project areas. The comparability reporting requirement, however, has been dropped. The basis for an assurance of comparability is also changed: LEAs must state that they have a district wide salary schedule and policies to ensure that allocations of personnel and materials among schools are equivalent.

State educational agencies are to oversee LEA fund allocations and uses, but state reporting requirements to the U.S. Department of Education are left unspecified. For fiscal accountability purposes, SEAs are required only to "keep such records and provide such information to the Secretary [of Education] as may be required for fiscal audit and program evaluation."[12]

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[12] Public Law 97-35, Sec. 555(d); 20 USC Sec. 3804.

The law gives only partial guidance on the responsibilities, obligations, and limits of state educational agencies under Chapter 1. States are to approve LEA applications and may deny or withhold funds to LEAs not in compliance with the law. To receive funds SEAs must file assurances with the U.S. Department of Education regarding fiscal control and fund accounting procedures.

Chapter 1 omits guidance on such issues as state issuance of regulations, specifics for approving LEA applications, monitoring, auditing, and complaint resolution. However, the statute reduces state administration allocations from 1.5 to 1 percent of a state's total Chapter 1 award.

The Chapter 1 regulations do not specify the standards that states should use in approving, regulating, monitoring, or auditing an LEA's Chapter 1 activities. They state only that SEAs are responsible for ensuring that LEAs comply with the law and regulations and that SEAs may adopt rules, regulations, procedures, guidelines, and criteria to that end as long as these do not conflict with federal law or regulations.[13]

The states, which played an important role in administering the Title I program, have significant new responsibilities under Chapter 1. The states will continue to approve LEA applications; in addition, they will have wide latitude to determine what is satisfactory. Maintenance-of-effort determinations, including the authority to issue waivers and pro rata reductions in funds, are now the responsibility of the SEAs, rather than of the secretary. Definition and enforcement of other provisions of the law--such as the nonsupplanting and comparability provisions--are also primarily a state responsibility in the absence of federal guidelines and reporting requirements.

Chapter 2

Unlike Chapter 1, which retains many of the emphases and provisions of a single antecedent program (Title I), Chapter 2 is an amalgamation of many former categorical programs. It contains both new and old administrative directions and programmatic elements. Its purpose is to consolidate certain programs

[13] 34 CFR Sec. 200.59; 47 FR 32864, July 29, 1982.

> into a single authorization of grants to states . . . to be used in accordance with the educational needs and priorities of state and local educational agencies . . . to financially assist state and local educational agencies to improve elementary and secondary education . . . and to do so in a manner designed to greatly reduce the enormous administrative and paperwork burden imposed on schools at the expense of their ability to educate children.[14]

Programs consolidated into Chapter 2 are, with two exceptions, relatively small ones, as can be seen from Table 2, which also compares FY 1981 and FY 1982 appropriations. Total funding for these programs was cut significantly: FY 1982 appropriations are about 10 percent less than those for FY 1981, and the President's FY 1983 budget request is about 10 percent less than the FY 1982 appropriations. Compounded by the effects of inflation, Chapter 2 means far less in purchasing power for states and localities despite the reduced costs promised by a deregulated and consolidated approach.

Chapter 2 programs focus on school improvement. Most of the antecedent programs were relatively small appropriations for special purposes, such as career education, metric education, consumer education, and arts education. These funds were awarded primarily to LEAs through a competitive grant process with little or no state involvement. Funds for the improvement of teaching through programs such as teacher centers and teacher corps were also awarded competitively, typically to LEAs and higher education institutions. The largest share of program funds incorporated into Chapter 2 comes from three programs that differ in important ways from the other programs consolidated in the ECIA.

The Emergency School Aid Act (ESAA), awarded funds through a competitive grant process to school districts undergoing voluntary or court-ordered desegregation. ESAA funds could be used for several activities including remedial services, staff development and inservice teacher training, and curriculum development.[15] Because of the nature

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[14] Public Law 97-35, Sec. 561(a); 2 USC Sec. 2601.

[15] James Douglas Slack, "Policy Implementation and Intergovernmental Relations: The Case of the Emergency School Aid Act," unpublished Ph.D. dissertation, Miami University, 1981.

Table 2

1981 ANTECEDENT PROGRAM AND 1982-1983 ECIA CHAPTER 2 APPROPRIATIONS
($ thousand)

ECIA Chapter 2	Antecedent Programs FY 1981 Appropriations	Chapter 2 FY 1982 Appropriations	Chapter 2 FY 1983 President's Request
Emergency school aid (ESAA)	149,209		
School libraries and instructional resources (Title IV-B)	161,000		
Improving local educational practice (Title IV-C)	66,130		
Strengthening state agency management (Title V)	42,075		
Teacher corps	22,500		
Teacher centers	9,100		
Precollege science teacher training	1,875		
Basic skills improvement	25,560		
Metric education	1,380		
Cities in schools	2,745		
PUSH for excellence	825		
Consumer education	1,356		
Law-related education	1,000	960(a)	
Biomedical sciences education	3,000	2,880(a)	
Ethnic heritage studies	2,250		
Community schools	3,138		
Career education	10,000	9,600(a)	
Intercultural understanding	2,000		
Arts education	1,125		
Gifted and talented education	5,652		
Total	512,010	455,616	406,000

SOURCE: Education Daily, April 2, 1982, p. 5.

(a)Line item appropriations recommended even though the programs were put into the block grant.

of the program and its eligibility requirements, ESAA funds were directed to and used by large metropolitan school districts with significant minority enrollments.

ESAA grants differed from the other consolidated categorical programs in two ways. First, the grants were designed to promote a federal equity goal--desegregation--rather than a general school improvement purpose. Although their benefits were widely felt, they were generally used to upgrade services to low-income and minority students, and the award process was used to enforce a number of civil rights provisions.[16]

Second, the ESAA awards to LEAs were usually large and relatively few in number. In 1982, for example, approximately 250 LEAs received grants ranging in size from $30,000 to nearly $7 million. Seventeen large cities received grants of over $1 million.[17] These funds were a significant source of federal support for an important federal purpose for many urban school districts.

The second large program included in the Chapter 2 consolidation combines two previously consolidated programs: ESEA Title IV-B, which included aid for school library resources, textbooks, and instructional materials, and ESEA Title IV-C, which contained programs for supplementary centers and innovative projects, as well as some funds for strengthening leadership in state and local educational agencies.

Title IV-B acted as an entitlement program for LEAs, with each state developing a formula for fund allocation. The formula included enrollment, high tax effort, and "high-cost children" measures. The distribution of Title IV-B funds to states and localities was similar to that specified in Chapter 2. The statute granted local districts limited discretion over how IV-B funds were used and gave SEAs the responsibility for fiscal oversight.

The quite different funding mechanism for Title IV-C involved grants to state educational agencies, which then conducted their own grants competition to award funds to LEAs. One recent evaluation showed marked variations in allocation patterns among states, with some trying

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[16] Paul T. Hill and Ellen L. Marks, Federal Influence Over State and Local Government: The Case of Nondiscrimination in Education, The Rand Corporation, R-2868-NIE, December 1982.

[17] "1982 Emergency School Aid Basic Grants to School Districts," Education Times, February 1, 1982, p. 6.

to dispense funds as widely as possible throughout school districts and others concentrating funds for a few exemplary projects.[18]

The fairly simple allocation of funds under Chapter 2 involves dividing the appropriated amount among the states and territories on the basis of school-age population. States, in turn, are to develop a formula to disburse at least 80 percent of these funds to their LEAs.

State formulas are to be based on public and nonpublic school enrollments with an adjustment for high-cost children. The legislation suggests that high-cost factors may include children from low-income families; children living in economically depressed urban and rural areas; and children living in sparsely populated areas.[19] The state educational agency may keep up to 20 percent of its Chapter 2 allocation.

LEAs may expend Chapter 2 funds in three major areas:

1. Basic skills development (Subchapter A)--to develop and implement comprehensive and coordinated programs for improving reading, mathematics, and written and oral communication skills.
2. Educational improvement and support services (Subchapter B)--to acquire textbooks and instructional materials, provide programs for special needs students (including gifted and talented and educationally deprived), address problems caused by isolation or concentration of minority students, provide guidance counselors, offer inservice training, and the like.
3. Special projects (Subchapter C)--to carry out the purposes of the remaining programs consolidated in Chapter 2, such as metric, arts, and consumer education.[20]

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[18] Lorraine M. McDonnell and Milbrey W. McLaughlin, Program Consolidation and the State Role in ESEA Title IV, The Rand Corporation, R-2531-HEW, April 1980.

[19] Public Law 97-35, Sec. 565(a).

[20] Ibid., Sec. 571-582.

Under Chapter 2, LEAs are to have nearly complete discretion in deciding how to allocate and use funds both within and among the three categories of program purposes. To receive funds, an LEA must submit an application to the SEA outlining its intended use of funds, assuring that it will provide for nonpublic school participation and parental consultation, and agreeing to keep records and information for fiscal audits and program evaluations. An application may be for a three-year period.[21]

Chapter 2 makes no specific provision for the SEA's approval of LEA applications. The law states only that an LEA becomes eligible for funding when it submits an application to the SEA.

To receive funds, a state must submit an application to the U.S. Department of Education in which it agrees to "active and continuing" consultation with an advisory committee composed of representatives of public and private elementary and secondary school children, teachers, parents, local boards of education, local and regional school administrators, higher education institutions, and state legislators. The state advisory committee is to have a say in the formula for LEA fund distribution; the use of the state set-aside funds; and the planning, development, support, implementation, and evaluation of state programs assisted by Chapter 2.[22]

The state application must also contain a budget for the allocation of state-use funds, an assurance that the SEA will provide public notice and dissemination and an annual program evaluation, and an agreement to "keep such records and provide information to the secretary as may be required for fiscal audit and program evaluation."[23] States may use their portion (up to 20 percent) of the funds for program-related activities such as training, materials development, dissemination, planning, and technical assistance as well as administration, monitoring, and enforcement activities.

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[21] Ibid., Sec. 556.
[22] Ibid., Sec. 564(a)(2).
[23] Ibid., Sec. 564(a).

Chapter 2 requires that states maintain their fiscal effort for free public education at a level of 90 percent of the second preceding fiscal year. Both SEAs and LEAs must satisfy the supplement-not-supplant requirement of earlier programs; that is, they must not use Chapter 2 awards to supplant funds from nonfederal sources. Finally, Chapter 2 contains specific provisions for the equitable participation of students enrolled in private, nonprofit schools.[24]

The state role in administering Chapter 2 differs from its role in administering most of the antecedent programs. Nearly all of the earlier categorical grants were awarded by the U.S. Department of Education directly to local institutions on the basis of a competitive process in which the SEA played little or no formal role.

The closest analogy to the funding and governance for Chapter 2 is found in the former Title IV-B, which awarded grants by formula to state educational agencies, which then made formula-based awards to LEAs. SEAs administered these funds in consultation with their statewide Title IV advisory committees, developing entitlement formulas based on enrollment and high-cost pupil factors, approving LEA applications, and monitoring LEA compliance with the law.

Title IV-B funds differed from Chapter 2 funds in that the former were used for discrete purposes (materials and equipment purchases primarily). Furthermore, the state oversight function was more clearly spelled out under Title IV-B (e.g., states had to approve applications and enforce specific fiscal requirements). The state set-aside under Chapter 2 may be seen as similar to state funding under the former Titles IV-C and V, which granted funds for SEA activities and for state-initiated awards to local institutions.

In one sense, Chapter 2 brings a wider range of program activities under the state administrative umbrella by including former federally administered programs in the block grant. In another sense, though, states appear to have less control over how LEAs spend the 80 percent of the funds that flow through by formula than they had over the earlier state-administered programs (e.g., Titles IV-B and IV-C), since the law emphasizes that LEAs are to have complete discretion over the uses of

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[24] Ibid., Sec. 585-586.

funds they receive, as long as they spend the funds for the program purposes specified in the law and in their applications.

A timely report for the National Association of State Boards of Education identified several areas of uncertainty and concern arising from Chapter 2.[25] Governance questions involve the responsibilities of and restrictions on federal, state, and local governments. While the state educational agencies are responsible for administering the law and ensuring LEA compliance, they lack both express authority to withhold funds from LEAs at the application stage and specific enforcement options.[26]

The state's relationship to federal auditors and enforcers with respect to both state and local Chapter 2 activities is also uncertain. The state's application consists largely of assurances to the U.S. Department of Education. The secretary's approval is expressly required only for the criteria chosen for interdistrict allocations of Chapter 2 funds.

The language of the law suggests that LEAs are considered accountable primarily to their constituents, and secondarily to the state. Chapter 3 of the ECIA, however, gives the Secretary of Education authority to withhold funds from both SEAs and LEAs on a finding of noncompliance. The absence of federal compliance standards from most provisions of the law, combined with ambiguities about enforcement responsibilities, leaves unresolved many questions about what states must do to ensure compliance.

Other Chapter 2 governance issues concern the roles of the various state-level actors. The new law places the responsibility for administering the consolidated programs on state educational agencies, leaving unsettled in some states the question of whether the state board or the state department of education is the body ultimately responsible for administration.

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[25] Silverstein and McMullan (1981).

[26] The Chapter 2 regulations allow states to require LEAs to repay misused funds following a state financial and compliance audit, but they do not address the issue of whether SEAs may disapprove LEA applications for funds (34 CFR at 298.17; 47 FR 32890, July 29, 1982).

Chapter 2 also requires that the governor of each state appoint an advisory committee to advise the SEA on the uses of state funds and the allocation formula for local funds. Meanwhile, a number of state legislatures have given themselves the authority to reappropriate all federal funds that come into their states. One SEA official described the situation in his state as follows: "The Consolidation Act has become a political football. The governor thinks he has the power because he appoints the advisory committee, the state education agency says they have the power over the block grant, and the state legislature wants to reappropriate all federal money."[27]

The distribution of funds by a state-developed formula involves further uncertainty. Chapter 2 fails to specify the amount of emphasis that a state can or must place on the adjustment factor for high-cost students. The ECIA suggests three factors to be considered for high-cost adjustment, but does not indicate whether they may or must be used. Similarly, the law says nothing about the weight that should be accorded to the variables (e.g., whether states should significantly favor the enrollment variable or high-cost variables). Nor does it indicate the process by which the formula is to be approved, either at the state or the federal level.

The equitable provision of ECIA benefits to private school students also presents problems. The law does not make clear whether LEAs must serve only resident private school students or those who attend schools within the LEA's boundaries but reside in another district or state. The law does not indicate what should be done for private school students in an LEA that did not apply for Chapter 2 funds or whether bypassing the nonparticipating LEA to serve private school students would be inequitable to the public school children in the LEA who are not served.

Private school representatives are to be involved in planning Chapter 2 programs, but neither the mechanism for involvement nor the required degree of involvement is specified. Services and materials are to be publicly owned and provided, but if services offered to public

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[27] "Block Grants Create Political Furor, Say Administrators," Education Daily, November 3, 1981, p. 4.

school students do not meet private school needs, must the LEA offer a separate Chapter 2 program to ensure equitable participation? Does equitable participation mean equal dollars per pupil, equal access, or shared decisionmaking about services? Furthermore, the ECIA makes no provisions for an SEA to determine LEA compliance; specifically it does not indicate whether monitoring and data collection are warranted (or allowed).

Finally, the permitted uses of funds and recordkeeping requirements are not fully specified. The law requires SEAs and LEAs to keep "such records and provide such information" as may be necessary for audits and evaluations, but gives no guidance on what these records and information should contain. No standards are given for the review of program applications by either the SEA or the U.S. Department of Education for the review of program applications. The categories of allowable program purposes are so broadly stated as to raise the question of whether any activity could be excluded. Yet the fact that some projects were repealed by Chapter 2 suggests that the uses are not intended to be treated as general aid.

Furthermore, states, localities, and private schools are to use funds to supplement (not to supplant) other, nonfederally funded activities, but no criteria are offered. Given the range of program purposes allowable and the noncategorical nature of the grant, supplanting may be difficult to determine.

If an LEA wants to use Chapter 2 funds for activities previously, but not currently, operated from state or local revenues, would this be considered supplanting? Some activities undertaken in the past with state and local funds may have been recently under-funded because of fiscal constraints; does the supplement-not-supplant provision preclude directing Chapter 2 funds to these programs? How are LEAs supposed to ensure that funds for private schools are used in a supplementary fashion?

Chapter 3

Many questions concerning compliance standards for Chapters 1 and 2 could be resolved by regulation at the federal or state level. The law, however, also leaves many questions unanswered regarding intergovernmental responsibilities. Chapter 3 of the ECIA simultaneously takes two nearly antithetical approaches to the question of centralization of authority for ECIA decisionmaking. Section 591 authorizes the secretary to issue regulations in a few specific areas and then states:

> In all other matters relating to the details of planning, developing, implementing, and evaluating programs and projects by State and local educational agencies the Secretary shall not issue regulations, but may consult with appropriate State, local, and private educational agencies, and, upon request, provide technical assistance, information, and suggested guidelines designed to promote the development and implementation of effective instructional programs. . . . Regulations issued pursuant to this subtitle shall not have the standing of a Federal statute for the purposes of judicial review.[28]

Clearly, this section is intended to reduce regulatory control by the federal government. It has been interpreted by the Department of Education to preclude nearly all regulatory activity, even though Sec. 591(a) gives the secretary authority to issue regulations "relating to proper fiscal accounting . . . and the method of making payments authorized under this subtitle" as well as those "deemed necessary to reasonably insure that there is compliance with the specific requirements and assurances required by this subtitle."

Although the law retains most of the major fiscal requirements of the antecedent programs, it creates new parameters for their application without guidance for how they are to be met. The secretary's refusal to promulgate clarifying regulations leaves questions as to what constitutes acceptable practice under the new programs.

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[28] Emphasis added.

This lack of federal guidance would be less troublesome were it not for the subsequent section of Chapter 3, which gives the secretary authority to withhold funds from noncompliant state and local educational agencies. Section 592 authorizes the withholding of all state funds if a state or local agency fails to comply with any requirement of the law. One LEA's failure to comply could, then, result in the entire state allocation being withheld, although the secretary, at his discretion, may limit the withholding to the specific agencies affected by the failure.

The regulations for the ECIA[29] do not, in general, specify compliance standards omitted by the law. Services to children in private schools are treated in more detail in the regulations, although many questions about their equitable participation remain.[30]

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[29] Chapter 1 regulations are in 34 CFR 74, 76, 78, 200, 201; 47 FR 32856, July 29, 1982. Chapter 2 regulations are in 34 CFR 298; 47 FR 32884, July 29, 1982. Our discussion of ECIA regulations refers to the final rules published in the Federal Register on July 29, 1982 (as cited above); however, at the time of this writing, a dispute remains between the Congress and the Education Department regarding congressional authority to review and possibly change regulations issued by the department. Amendments to the July 1982 regulations, announced in the Federal Register, November 19, 1982, are currently before the Congress.

[30] Both Chapter 1 and Chapter 2 rules, for example, define equitable participation in terms of equal expenditures for private school students, based on enrollment numbers adjusted for special educational needs. How the needs and differential costs of serving private school students are to be assessed and treated remains open to question. In providing services, LEAs are to determine what is equitable by comparing services to children in private and in public schools. However, LEAs must use Chapters 1 and 2 funds to supplement and not supplant the level of services that would otherwise be available to children in a private school, meeting the needs of the children in the school but not benefiting the school itself. If ECIA services to be provided to public school students are not supplementary for private school students or are not tailored to their special needs, it is unclear what criteria will be used for determining equitable service provision. The only additional guidance offered in the Chapter 2 rules is that "if the needs of children enrolled in private schools are different from the needs of children enrolled in public schools, an LEA snall provide Chapter 2 services for the private school children that address their needs on an equitable basis" (34 CFR 298.24(b)(2)(B)(iii)).

In an attempt to preserve state and local flexibility under the new law, the secretary has chosen to issue minimal regulations supplemented by nonregulatory guidelines that are binding on all Department of Education officials but not on SEAs or LEAs. A substantial proportion of the regulatory guidance issued concerns a highly developed appeals procedure for cases of adverse audit determinations or decisions to withhold funds.[31]

Although the more detailed nonregulatory guidance is to be binding on all Department of Education officials, it is not binding on officials of other federal agencies such as the Comptroller General, who is authorized to conduct audits of ECIA programs. Thus, the requirements can finally be clarified only in the appeals process after an adverse audit determination has been issued.

SUMMARY

In theory at least, the Education and Consolidation Improvement Act provides opportunities for states and localities to exercise their own preferences for education programs and operating procedures to a far greater extent than have previous federal programs. It also introduces new possibilities for federal, state, and local intergovernmental relationships and for redefinitions of the respective roles of state government actors in directing the course of the educational enterprise. At the same time, the ECIA presents states and localities with many unanswered questions about the extent of their authority at a time when many are also faced with substantial funding cuts.

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[31] The appeals process entails a detailed procedure for hearings, arguments, interventions by third parties, public comment, and recommendations by the Education Appeal Board over the course of at least 415 days before the secretary reaches a decision.

III. A CONTEXT FOR ASSESSING STATE RESPONSES TO THE ECIA

This chapter describes the political and economic factors that influence state administrative planning for the ECIA. Planning decisions are a function of what an agency (and its constituents) would like to do in the context of what decisionmakers think they can do. Policy preferences must be tempered by policy, program, and funding constraints

In many respects, state planning for ECIA administration illustrates the way in which planning decisions are made in an extremely uncertain environment. At the federal level, information about ECIA funding and implementation has been tentative and subject to change. At the state level, finance and program parameters for social services generally, and for education particularly, are undergoing substantial change.

UNCERTAINTIES REGARDING FEDERAL INTENT

Important policy issues remained unresolved during the months following the passage of the ECIA, when states were preparing to assume their new responsibilities. Questions concerning appropriations and funding allocations, intergovernmental roles, and fiscal, programmatic, and planning requirements had not yet been answered when we visited the nine states studied for this report. These questions affected state planning efforts as much as the changes in the law itself.

The ECIA was enacted as part of the Omnibus Reconciliation Act of 1981. Because of the size of the reconciliation package, the speed with which it was enacted, and the fact that substantial program changes were made through the budgetary process, the ECIA's legislative history does not include the kind of detailed, recorded policy debate that usually accompanies legislative program reforms. Hence, one of the context variables that shapes initial implementation of the ECIA is the uncertainty caused by a relative lack of clarity and specificity regarding congressional intent.

In the absence of detailed statutory guidance, regulations become an important source of information for agencies implementing new programs. But policy and program guidance did not come quickly from the Department of Education. The Notice of Proposed Rulemaking for ECIA was not issued until February 12, 1982, and final rules were not published until July 29, 1982.

Congress challenged the final rules, largely because the rules stated that the administrative provisions of the General Education Provisions Act (GEPA) did not apply to ECIA. The Department of Education eventually submitted to congressional pressure and revised the regulations on November 19, 1982; at this writing, the rules are before Congress for review.

In addition, the rules give only minimal guidance on state and local compliance with the ECIA's new provisions and on the respective authorities of federal, state, and local agencies. Although the rules gave no criteria by which state applications would be judged, the Chapter 2 allocations of several states were delayed because of disagreements with the Department of Education.

The Department of Education refused to approve the Chapter 2 allocation formulas of New York, Connecticut, and California. Nebraska and Missouri were initially rejected because they had requested a bypass of state and local educational agencies to serve nonpublic school students as provided in the law. When school opened in September 1982, the Chapter 2 plans of California, Missouri, and Nebraska had still not been approved.[1]

Uncertainty over ECIA funding levels also continued well into the planning year. At the time of our site visits, Congress had not passed a budget, only continuing resolutions. Moreover, President Reagan had proposed budget recissions to his initial budget. As Alabama State Department of Education officials told us with regard to their Chapter 2 funding: "All we know is that we will get 1.75 percent of the total appropriation, and that means anything from $5.8 to $8.5 million."

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[1] "California Gets Go-Ahead on Chapter 2 After Long Delay," Education Daily, September 21, 1982, p. 3.

Chapter 1 funding levels were even less certain because, in addition to the lack of a final appropriations bill, the Department of Education was locked in a lawsuit with 11 states that challenged the use of 1970 rather than 1980 census data for counting eligible students. This issue was not resolved until September 1982, when Congress overrode President Reagan's veto of the FY 1982 supplemental funding bill. The bill added $148 million to the $2.8 billion appropriation for Chapter 1 and allowed the department to use either the 1970 or 1980 count of low-income children to award the higher allocation for each state.[2]

STATE FINANCING AND ADMINISTRATION OF EDUCATION

In addition to the federally induced uncertainties that existed when states were planning to assume their new administrative responsibilities, a number of other factors at the state level affected state responses to the ECIA and the other new block grants. President Reagan's block grant and other new federalism initiatives are taking place at time when the size, shape, and public service functions of state governments have completed a cycle of growth and are entering a period of retrenchment, or at least redefinition.

While all levels of government grew rapidly between 1969 and 1979, the growth rates of state government spending and employment far outstripped those of federal and local governments. Government growth has been supported only partially by increasing own-source revenues; intergovernmental transfers to states and localities have grown even faster than their own revenues.

The more centralized financing that resulted from the increases in these transfer payments allowed state and local governments to expand programs and work forces faster than they increased their own taxes.[3] In 1978, federal aid to states amounted to over 38 percent of states' own-source revenues; federal and state transfers to local governments amounted to 76 percent of local own-source revenues.[4]

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[2] "Congress Rejects Veto of Funding Bill with Education Money," Education Daily, September 13, 1982, p. 1.

[3] Anthony H. Pascal et al., Fiscal Containment of Local and State Government, The Rand Corporation, R-2494-RC, September 1979.

[4] Advisory Commission on Intergovernmental Relations, Significant Features of Fiscal Federalism, 1978-79 ed., Washington, D.C., May 1979.

The growth in state government during the past decade has been accompanied by an expanded state role in the provision of social services, including education services. Education policy development at the state level, while not an entirely new phenomenon, has taken on a new character as state responsibility for financing schools has grown and pressures for state-initiated school accountability measures have increased.

During the 1970s, more than 30 states reformed their school finance laws to equalize school district expenditures by decreasing reliance on local property taxes. Nationwide, the state share of elementary and secondary school expenditures increased from 39 percent in 1969 to 47 percent in 1979, becoming for the first time the largest single source of school support.[5] Forty-six states initiated minimum competency testing measures,[6] in most cases as part of broader accountability or educational quality improvement efforts.

New federal and state programs for disadvantaged students and for educational improvement have added to the responsibilities of state educational agencies, changing them from "once mostly innocuous and invisible" agencies to much more powerful forces in the education policymaking arena.[7] Much of this transformation has been supported by federal funds for administering federal programs and for strengthening state educational agencies; nearly half of the cost of operating SEAs has been federally supported.[8]

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[5] National Education Association, Financial Status of the Public Schools, 1979, Washington, D.C., 1979.

[6] National Center for Education Statistics, The Condition of Education, 1980 ed., U.S. Government Printing Office, Washington, D.C., 1980.

[7] Jerome T. Murphy, "The State Role in Education: Past Research and Future Directions," Educational Evaluation and Policy Analysis, Vol. 2, No. 4, July-August 1980; and Joan C. Baratz et al., "Changing the Federal-State Partnership: The Effects of Consolidation," in C. P. Kearney and E. A. Vanderputten (eds.), Grants Consolidation: A New Balance in Federal Aid to Schools?, Institute for Educational Leadership, Washington, D.C., 1979.

[8] Murphy (1980).

Other state government actors have also become more prominent in designing and shaping educational policies. State legislatures have begun to take a more active role in overseeing SEA decisions, mandating educational improvement activities at the state and local level, and shaping the tax and expenditure policies that affect school systems.[9] Governors and state boards of education have carved out special areas of interest, including school finance reform, early childhood education, and teacher training and certification. Other state executive agencies--state planning offices, post-audit committees, accounting agencies, and executive budget offices--have become larger, more professional, and more influential in shaping finance-related policies.[10]

Although the level and nature of education policymaking vary significantly from state to state, the state role in education has expanded, and the interrelationships among state government actors have become more complicated than they were a decade ago. Furthermore, the relationships among federal, state, and local governments have changed, becoming more interdependent with respect to both finances and programs than was the case when the major federal categorical programs encompassed in the 1965 Elementary and Secondary Education Act were initiated.

The fiscal limitation movement in the late 1970s further changed intergovernmental responsibilities. Government growth and fiscal centralization have been cited as spurring the passage of tax and spending limits in some 23 states by 1979.[11] In the short run, these measures have tended to increase the prominence of state government in local fiscal affairs, as states have given more money to local governments that lost much of their revenue-raising capacity as a result of property tax cutbacks.

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[9] Arthur E. Wise, Legislated Learning: The Bureaucratization of the American Classroom, University of California Press, Berkeley, 1979; Ellis Katz, Educational Decisionmaking 1977-78: A Snapshot from the States, Institute for Educational Leadership, Washington, D.C., November 1978; and R. F. Campbell and T. L. Mazzoni, Jr., State Policymaking for the Public Schools, McCutchan, Berkeley, 1976.

[10] Murphy (1980).

[11] Pascal et al. (1979).

The alarming effects of severe fiscal limits in states like California and Massachusetts have also triggered efforts in other states to cut property and income taxes while diversifying their revenue sources. In states where fiscal limits have been imposed, new sources of revenue have been sought. In 1979 and 1980, for example, ten states either lowered personal income tax rates or indexed the rates to offset inflation, while property tax exemptions or credits were passed in numerous others. Gasoline, cigarette, sales, and severance taxes were instituted or increased in more than half the states to offset other declining sources of revenue.

The efforts to reshape state tax systems have not yet proved sufficient to establish a firm fiscal footing in most states. The combination of dwindling federal grant payments, slow revenue growth because of recession, and selective tax paring in response to grass roots tax reform efforts left more than half the states with revenue shortfalls in FY 1980.[12] States that had surpluses found them dwindling rapidly. By FY 1981, the financial situation in most states had worsened. The Education Commission of the States noted in December 1981:

> The states are in financial trouble. Revenues for most states did not grow as fast as inflation in the last fiscal year. . . One indicator of a state's fiscal health is its unobligated balance at the year's end as a percent of general fund expenditures. In fiscal 1980 this indicator averaged 9 percent for all states. In fiscal 1981 the average was only 3.3 percent.[13]

During regular 1981 legislative sessions, 30 state legislatures raised taxes by a total of $2.5 billion, the highest annual tax increase in a decade. One-third of the state legislatures had to reconvene in extended or special sessions to deal with fiscal changes that had occurred since they ended their sessions earlier in the year.[14]

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[12] Kenneth E. Quindry, "State and Local Tax Performance," Journal of Education Finance, Vol. 7, No. 1, Summer 1981.

[13] Education Commission of the States, Finance Facts, Vol. 6, No. 4, Washington, D.C., December 1981, p. 1.

[14] "States Raised Taxes This Year, Even Before Reagan Budget Cuts," Education Times, October 3, 1981, p. 3.

Wide-ranging tax increases and budget cuts continued in most states during the early months of 1982,[15] leaving many with budgets only precariously balanced and most with reduced levels of state services. The ten or so states that are exceptions to this trend include energy-rich states in the southwest and a few growing southern states.

These tax increases and budget cuts have affected education. Most states are funding education at static or even declining levels. In some states, the trend away from reliance on local, disequalizing sources of revenue has been reversed. Categorical education programs have been hardest hit in many states; other states have reduced regulatory requirements along with funding.[16]

Many of the potential results of fiscal containment--changes in revenue systems, service cutbacks, reductions in public employment, consolidation of services, and deregulation[17]--were occurring in the states we visited for this study in spring 1982. Six of the nine states faced budget deficits, and three had dwindling surpluses. State funding for education had remained virtually static during the past few years in the states facing deficits, and all SEAs (even those in financially stable states) had reduced their staffs.

The state share of education funding, which had been increasing in most states prior to 1980, had begun to decline in three of our sample states. Two other states were contemplating measures to replace some state education funding by increasing local revenue (i.e., by increasing the allowable local tax rate for education). Five had initiated efforts to reduce state education regulation or program mandates.

Most of the states in our sample had instituted or were in the process of undertaking tax reform. These reforms--and budgetary concerns generally--have contributed to the growing importance of

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[15] "States Struggle to Balance Budgets; Revenues Are Down, Taxes Are Up," Education Times, May 17, 1982.

[16] "Budget Problems Causing Some States to Cut Regs," Education Daily, March 9, 1981, pp. 3-5.

[17] Mark David Menchik and Anthony H. Pascal, The Equity Effects of Restraints on Taxing and Spending, The Rand Corporation, P-6469, May 1980.

legislative budget and appropriations committees and executive branch budget offices in the policymaking process. Legislative oversight of SEA spending and operations has become a significant factor in educational decisionmaking in at least five states that we visited, especially in those where the legislature reappropriates all federal funds.

In some states, the changing character of the interactions between state government bodies has encouraged healthy debate and reexamination of programs, priorities, and organizational structures. In others, reflexive responses to changing government roles have impeded discussion of program directions, allowing budgetary and jurisdictional considerations to drive policy and uncertainty to nearly immobilize the planning process.

SUMMARY

The Education Consolidation and Improvement Act is being introduced at a time when state funding and revenue systems are changing. State educational agencies are contracting and reorganizing in response to fiscal pressures and changing missions, and the programs that they administer are being subjected to more intensive scrutiny by other governmental bodies than in the past. These factors affect the states' responses to the ECIA just as the act itself--as part of the new federalism--affects both the broader context for response and the states' direct responses to its provisions.

IV. STATE RESPONSES TO THE ECIA

This section describes the division of responsibility among state government actors for ECIA planning and decisionmaking. It also discusses planning and decisionmaking processes for ECIA administration, and funding and program decisions related to the ECIA.

ROLES OF STATE GOVERNMENT ACTORS

The ECIA gives the state educational agency--a department of the executive branch--the responsibility for administering and supervising all programs activities under the act. The ECIA also requires the governor to appoint a statewide advisory committee to consult with the SEA on the use of the state's Chapter 2 allocation, the development and implementation of state programs financed by Chapter 2, and the formula for allocating Chapter 2 funds to local educational agencies. Although the SEA (usually the state department of education) is to play a central role in administering the ECIA, we found that the act provides state legislatures and state boards of education new opportunities for increased involvement.

While most states (including all in our sample) have designated the state department of education (SDE) as the official SEA for purposes of ECIA administration, the respective decisionmaking roles of a state's department of education, board of education, and Chapter 2 advisory committee are not clearly defined. Furthermore, many state legislatures play an important part in this process. A variety of formal and informal relationships among these actors has emerged in different states, depending on the legal and electoral status of each body, its staff capability, and its power to initiate or stalemate governmental action.

State departments of education do not always have independent status or unambiguous authority relative to the state board of education or state legislature. State constitutions vary widely as to whether state superintendents and state board of education members are elected or appointed and as to how the responsibilities of each are defined.

Even where state departments of education are expected to administer the ECIA, they may not have full decisionmaking authority.

In seven of our nine sample states, the state department of education submits recommendations concerning the ECIA through the Chapter 2 advisory committee to the state board of education for approval. This group of seven states includes all of those with elected state boards and several with appointed boards. In these seven states, the Chapter 2 advisory committee serves more as an intermediary between the state department and state board than as an advisor to department decisionmakers. Its advisory functions are directed primarily at the board and, in several cases, through the board to the state legislature. In the other two states (California and Pennsylvania), the advisory committee reports its recommendations directly to the state legislature which decides final allocations as part of the appropriation process.

In six of the sample states, the legislature has the authority to reappropriate all federal funds. This means that federal allocations for both SEAs and LEAs are ultimately decided in the legislative appropriations committees. In the remaining three states, only the SEA's portion of the ECIA funds is subject to legislative approval. In most states, reappropriation of federal funds is a fairly recent phenomenon, and only in the past few years have legislatures intensified their oversight of SDE operations.

Legislative attempts to control executive agencies typically affect relationships with the governor and/or state board as well. The character of these interactions is just emerging and is somewhat unstable as jurisdictional battles are won and lost and new strategies for control and compromise are tried.

The growing prominence of state boards and legislatures in education decisionmaking has led to predictable struggles as state boards with regulatory authority try to make policies without legislation and legislatures try to control the regulatory direction of their policies. In three of our sample states, the legislature had recently tried to abolish or assume control over the state board of education.

In most of the states we visited, the ECIA was seen as an opportunity for the state board of education and/or the legislature to gain more control over educational decisionmaking. Even in states where the legislature had not been heavily involved in federal funding issues in the past, most observers (especially SDE officials) felt that the ECIA, along with the other federal block grants, would provide a means for more intense legislative scrutiny of federal funding allocations and state executive agency activities. In states where the board of education has substantial legal authority, the devolution of responsibility for ECIA decisionmaking to the states seems likely to allow for more direct involvement with federal program decisions than the boards have typically exercised in the past.

Chapter 2 Advisory Committees

The views of powerful actors in the policymaking systems of many states have been represented on the Chapter 2 advisory committee. In several states, the committee includes a member of the state board of education; in others, the interests of the board are heavily represented.

Two states with strong traditions of local control and powerful local public school administrators have many school administrators on their committees. Colorado's committee includes four members of the state accountability committee, reflecting its commitment to representation of those concerns in the Chapter 2 decisionmaking process.

As required by the law, state legislators are represented on all advisory committees, sometimes in substantial numbers. The Missouri committee includes eight legislators (out of 21 committee members), the Massachusetts committee has five, and the Pennsylvania and California committees each have four. In all of these states the legislature reappropriates federal funds.

The degree of independence of the statewide advisory committee from other state agencies varies substantially. In some states, SEA nominations for the committee were quickly approved by the governor with few changes. Typically, these nominees represented "education network"

representatives who had worked with SEA officials on other committees in the past.

In other states, particularly those where the governor was running for reelection, the governor's office took a more active role in selecting committee members. There, committee representation tends to include more special interest groups and political officeholders and fewer representatives of education associations.

Traditionally large and independent SEAs in urbanized, "progressive" states took much greater initiative in their advisory committees than those in states traditionally oriented toward local control. Activist SEAs tended to conduct intensive internal planning operations, seek constituent input for developing policy options, and present a specific package of decision options to the committees with justification for choosing a particular course of action. The committees, not surprisingly, adopted allocation formulas quite similar to those advocated by SEA officials.

In states favoring local control, the SEAs played a purely facilitative role, giving the committees data as requested, but providing either no specific policy options or a range of dissimilar options with no argument for choosing one over the others. Sometimes, this role was chosen to avoid confrontation with a state board of education that must approve SEA and advisory committee decisions. In most of these states, the formulas selected by the committees were substantially different from the preferences expressed by SEA officials when we conducted our interviews. The committees in these states also specified that the SEA set-aside funds were to be used to advance priorities of the state boards of education.

Nearly all SEAs actively argued for and justified their retention of the full 20 percent set-aside. One department "lobbied" the advisory committee by bringing in local school officials to testify to the value of the former Title IV-C program and the usefulness of the department's technical assistance activities. Several departments argued that their budget process was too far advanced to allow them to absorb the staff cuts that a set-aside reduction would entail. According to one SEA official, "We told the committee that if they advised the state board that we should get less than 20 percent, they might as well tell the board whom we should fire."

In all but two of our sample states, the committee voted to recommend the maximum set-aside, although in some cases the recommendation also called for a portion of it to be directed by the SEA to local districts in some fashion. In several states, the recommendation for a 20 percent set-aside was clearly for only the first year of ECIA operations to allow an orderly transition; thereafter, SEA allocations would be reduced.

Decisionmaking about fund uses and allocations has been complicated in some states by uncertainties about (1) the respective roles of the state department, board, and advisory committee and (2) current and future levels of federal education funding. One advisory committee member, echoing the feelings of many of her counterparts and SEA officials in other states, said that it was hard to develop the formula because people kept looking ahead to other programs that might be cut and because lines of authority were not clear. In her state as in others, considerations of the precedential value of ECIA decisions played a part in the decisionmaking process.

State Legislatures

Legislative involvement in block-grant decisionmaking has also proved to be important in some states. In California, the legislature acted early to involve itself in the decisionmaking process for block grants with the passage of AB 2185 in October 1981. This bill created a block grant advisory task force "to monitor state and local agency compliance with the provisions of the bill, gather specified information and hold public hearings thereon, prepare recommendations for legislative policy deliberations, and report to the Governor and the Legislature." The bill includes guidelines for block grant allocations that safeguard the interests of antecedent program target populations and service providers.

In Missouri, several bills were introduced to create legislative oversight of all the block grants, primarily to ensure "fairly even distribution of funds." Passage of such a bill seemed quite likely, but the education block grant was not included.

In Pennsylvania, legislative action on other block grants resulted in an allocation of 90 percent of the Preventive Health and Health Services Block Grant funds to prior year recipients to ensure service continuity until the legislature could obtain more data about allocations and uses of those funds. The legislature also set aside funds under the Community Services Block Grant for Headstart programs.

The Alabama legislature, though not yet involved in ECIA deliberations, has taken an active interest in other block grants, including the sponsorship of public hearings across the state on the uses and allocations of those funds. The Massachusetts legislature discussed assuming direct oversight of ECIA administration, but at the time of our site visit, such a move seemed unlikely. Instead, as in other states, the legislature is expected to become involved when allocation recommendations reach the appropriations committees.

Reappropriations of federal funds have typically been pro forma operations in states that have had such a requirement in the past. Our respondents in the six sample states where legislative reappropriation now takes place were somewhat divided about the consequences of this process for executive branch decisions concerning ECIA.

Some state education department officials maintained that the reappropriation would simply rubberstamp the state board or department recommendations. Others acknowledged that the fact of reappropriation--if not the actual process itself--would affect their decisionmaking procedures, the input sought, and the considerations taken into account. Most legislators expected to participate actively in examining allocation and fund use recommendations during the reappropriation process.

Part of the legislative interest in overseeing federal fund appropriations stems from the convergence of state fiscal difficulties and federal fund cutbacks. Officials in at least three states that we visited expressed reluctance to commit state funds to federal programs with matching or maintenance of effort requirements. These officials feared that federal funds would be reduced and the state would be left with the fiscal responsibility for a program that had developed its own constituency. One state education department official who shared this

fear declared that "federal funds are the next best thing to heroin," implying that he and his department would prefer doing without federal funds to suffering withdrawal symptoms later. In at least two states, the legislature had acted to prevent state participation in earlier categorical programs on these grounds.

Most legislative interest to this point has focused on appropriations and distributions of federal funds rather than on substantive issues of program administration. Early indications are that the ECIA will attract more attention in the latter category through scrutiny of the uses of the state education department set-asides.

Most legislatures have until now given the education block grant lower priority than other block grants because of both its later effective date and its relatively small size. Other block grant deliberations and the changing role of federal funds in social service provision, however, have already created subtle shifts in state education policymaking. The changes in federal aid levels and structures have meant that special interest groups that once directed their attention to federal policymakers are now lobbying state legislators. One of our legislative respondents remarked, "The legislature is interested in the ECIA because it is a new process that is political."

This new process and the attendant responsibilities of state legislators have increased their needs for information about both federal and state education programs, a need which they feel quite keenly. Several legislators commented that, until recently, their legislatures had been ignorant of federal education programs, but that as lobbyists have switched their attention to the state level, the legislatures have acquired decisionmaking responsibilities that exceed their knowledge and expertise.

The perceived vulnerability of state legislatures is reflected in the allegations made in a few states that the state departments of education are not responding adequately to legislative requests for information. Some legislators expressed fears that the executive branch would delay making recommendations to the legislature until the budget process was so far advanced that no substantive changes could be made. A few state department officials were consciously maintaining a low

profile for ECIA decisionmaking to avoid legislative involvement at least for the time being.

In most states, however, the ECIA has spurred an educative process for both legislatures and state agencies as efforts at information exchange are made to facilitate the required joint decisionmaking. For their part, many state departments have initiated new dialogues with their legislatures, mending fences and sharing policy options in a spirit of cooperation and cooptation. As one state department official put it, "To the extent that there is department inaction, there will be legislative action."

Legislators have often used the education departments' expertise to respond to their constituents and to construct their own policy alternatives. One effect of this increased communication is that the departments must meet increased demands for information. The capacity of the departments to respond to these requests is discussed later in this section.

PLANNING AND DECISIONMAKING PROCESSES

Despite the interests in the ECIA of various state government actors, the primary responsibility for organizing the decisionmaking process falls, quite logically, to state departments of education. The degree of influence exerted over that process by the departments, however, has varied from state to state. The methods used for organizing decisionmaking and for developing policy options have also varied substantially.

Redefinition of the role of state departments of education has been part of the planning process for ECIA administration. The ECIA, however, has not been the sole impetus for this redefinition. In sum, we found that:

- Internal SDE planning for ECIA administration often led to the creation of interdivisional planning groups and to the inclusion of more generalist SDE staff.
- Planning for ECIA administration also included deliberations about SDE staffing levels and staffing patterns affecting future administrative emphases and capabilities.

- o Local input was sought on administrative and program issues related to the ECIA but such input had only modest influence on SDE decisionmaking.
- o Considerations about the future role of the SDE in providing leadership and services to local districts were part of the ECIA planning process.

Internal Planning Groups

Every state that we visited formed an internal organization to learn about and plan for the transition to the block grant. Some groups were more formalized than others. Members typically included a member of the SDE planning office, federal programs coordinator or federal liaison staff, former categorical program directors (e.g., Titles IV-B and IV-C), and a representative of the budget office.

Most of these groups concerned themselves in the first instance with who had received what funds in the past. With the exception of Title IV-B and IV-C monies, most states were unaware of which LEAs had successfully attracted awards. The information collected by SDEs on Chapter 2 antecedent programs was incomplete and scattered among categorical offices within the departments. This information was considered essential for the development of the allocation formula. In particular, the distribution of Emergency School Aid Act funds was seen in many states as an important factor in shaping Chapter 2 allocations because these large awards were extremely important to a small number of (usually urban) school districts.

At the same time that the internal planning groups were studying LEA dependence on federal funds, they were also looking at how Chapter 2 would affect their own departments and staff. SDEs depend heavily on federal funds, which in some cases have paid for more than half their staff salaries. A significant proportion of these funds came from Title V (for strengthening state educational management), one of the programs folded into Chapter 2.

In addition to cutbacks in many states' share of Chapter 2 funds for SDE use, cutbacks in general state support for SDEs and Chapter 1 administrative funds made staffing issues important in the planning

process. Not surprisingly, discussions about which staff members were likely to lose their positions were restricted to top-level management.

While these groups may have been formed to reassure the staff whose jobs were affected by the consolidation, it had the opposite effect on those who were not consulted. A high-level staff member in one SDE complained, "We formed this group so we could plan and develop our own departmental priorities. Now, however, I've been excluded from discussions on how Chapter 2 will affect us because it has degenerated into a battle over turf."

Despite the expectable anxieties that caused the formation of new planning groups, we found that program administrators excluded in the early stages of planning were usually brought into the decisionmaking process after the Chapter 2 advisory committees were formed. Then the SDE planning groups began serving as a conduit to the advisory committees. If these cross-departmental groups remain active after the initial planning for ECIA administration is completed, the consolidation may have served as a catalyst in some state departments of education to develop coordinating mechanisms for future federal and state program planning.

Staffing Levels and Staffing Patterns

Even states with available funds are cutting back support to state agencies for the kinds of administrative and technical assistance functions that federal funds have helped to support. All of the state educational agencies in our sample had experienced or were expecting both federal and state cutbacks; some SEAs had already lost up to a third of their total staff capability from state and federal fund reductions. As one state legislator remarked, "The real loser in all this is the state department of education."

Federal funds have been a significant source of support for SEAs. In our sample, 30 to 70 percent of SEA funding came from federal programs; most were about 50 percent federally supported. Former Title I staff positions in most states were expected to be nearly halved by next year or the following year, when carry-over funds are depleted.

The effects of staff cutbacks on SDE capabilities are also likely to affect management styles. Most states are looking for ways to combine SDE activities once performed in separate categorical program offices so that they can serve several program functions simultaneously at reduced staffing levels. In some states, formal reorganization is planned or has occurred in the state department of education. In these states, and in others where less formal changes are being made, the thrust has been to decategorize programs and program functions.

In Minnesota, the division of special and compensatory education that oversaw PL 94-142 (special education) and Title I was incorporated into the Division of Instruction, largely in response to a legislative directive that ordered the SDE to become less top heavy. In the face of losing between 50 and 60 positions last year (out of some 500), with more expected to be lost this year, the department was forced to "streamline" some of its activities.

Kansas has been undergoing minor reorganization for the past two years. The planning, research, and evaluation unit was eliminated, and last year the education improvement section was disbanded and its functions diffused throughout the department.

Partially as a result of the enactment of Chapter 2, three of the Colorado SDE's units were eliminated as of July 1982: Titles IV-B and IV-C, the ESAA portion of the equal educational opportunity unit, and basic skills.

In other states, administrative structures for Chapter 2 imply decategorization by including more program functions under the direction of a single senior division head. Management or policy-level staff are found heading up the Chapter 2 effort in Massachusetts, Minnesota, and Pennsylvania, all states that are dealing with harsh fiscal problems. Federal program coordinators are responsible for taking the lead in Alabama, Kansas, and Missouri. In Colorado and Georgia, former Title IV administrators now have responsibility for all Chapter 2 programs.

California's arrangement differs somewhat. According to one California official, "it is difficult to point to any particular person or unit heading up the block grant because all our programs are integrated into everything else," but most ECIA-related work is expected to be located in program branches rather than administrative branches.

Chapter 1 administration is still basically separate from other programs. No state has planned to eliminate its former Title I office. In many states, however, the Chapter 1 office now sits under the same divisional umbrella as Chapter 2, and some of the functions handled by former Title I staff (e.g., evaluation and auditing) are expected to be handled by SDE offices for those functions, rather than by categorical program staff.

Local Participation

In the course of deciding administrative structures for the ECIA, SDE officials have also had to consider how they will provide services and guidance to local school districts with reduced staffs and changing responsibilities for federal program management. Most have sought local opinion in these deliberations and have tried to figure out the direction, if not the exact content, of the changing SDE role.

Nearly all of the state departments in our sample had communicated with local educational agencies concerning both Chapters 1 and 2 of the ECIA. Communication usually took the form of workshops, newsletters, or surveys designed to inform local officials about the changes in the law and, sometimes, to find out about preferred roles for the SEA or funding priorities. Title I directors took seriously their responsibility to consider LEA preferences for state rule-making and technical assistance in their planning.

Most of our state respondents felt that local officials did not fully understand the implications of Chapter 2 for their districts. Urban school officials, however, realized that funds would be drastically reduced when ESAA and Title IV-C dollars were no longer available. Urban districts lobbied legislatures, state departments, and/or state boards in many states; their differentially successful efforts are described in a later section of this chapter.

Only two states appeared to have systematic procedures for obtaining local participation in Chapter 2 decisions. In Pennsylvania, 4000 school practitioners, state legislators, and other relevant groups were polled about fund allocations and uses for Chapter 2. The respondents' preferences were closely followed for the allocation

formula, but their rankings concerning uses of the state set-aside were not as closely followed in the final SDE recommendations to the advisory committee.

Colorado used an existing procedure that polled LEAs about their preferences for biennial state board of education priorities. (In this state, board priorities are to be the basis for SEA set-aside uses.) Here, too, the LEA rankings were nearly the inverse of the board's final list of priorities. In both Colorado and Pennsylvania, the state quality improvement program was the top-ranked state priority but fell near the bottom of the local constituents' lists.

In several states, local school district officials had requested regulations. Some Colorado LEAs had appealed to the state to issue regulations for their planning endeavors, including goals and objectives, populations to be served, which activities are legal, and how to evaluate programs. In other states, LEAs requested formal guidance on such questions as Chapter 1 targeting rules and nonpublic school student participation under Chapter 2. As one Massachusetts official remarked, "Our locals don't want to be left hanging having been told to do something but not knowing how. When both staff and regulations are cut back, the education program gets subverted."

SEA officials are deeply concerned about the uncertainties of the new state-local relationships augured by the ECIA. One official voiced the opinion, also heard in other states, that the presumed return of authority to the states was "ironic," since LEAs have decisionmaking power under Chapter 2. "The state is asked to audit and evaluate LEA programs without any control over them."

While this concern was not universal, most state departments were giving substantial time and attention to the question of the proper boundaries for local versus state decisionmaking under both Chapters 1 and 2. In no state was this question entirely settled by the time our study concluded, and it seems likely that this, like other questions of decisionmaking, will be answered more in the process of the law's implementation than in its planning.

State Department of Education Roles

The ECIA is forcing state departments of education to reexamine their roles in directing and delivering services through LEAs. State regulation and oversight are expected to be minimal under the ECIA, because of both the law and funding cutbacks. The operations of the state departments will certainly change more fundamentally in response to staff reductions and decategorization, though new directions will become clear only after the disruption of immediate adjustments has passed.

While the law decreases federal regulatory burdens and explicitly limits state intervention under Chapter 2, it also gives states the responsibility of ensuring that their LEAs comply with the law. At the same time, state authority to levy sanctions against violators is not specified, and criteria for assessing compliance are generally absent from both Chapters 1 and 2 of the act. Few states are eager to assume authority for decisions that might later be the subject of federal audit exceptions or findings of noncompliance.

SDE oversight responsibilities are most often manifested in their fiscal audit and program monitoring functions. Chapter 1 auditing and monitoring currently concern state actors, second only to the focus on staff cutbacks. As one Title I manager said: "If any of our LEAs are found out of compliance then I have not done my job." Yet, state officials are in a quandary. The ECIA loosens LEA reporting requirements and contains no explicit sanctions for an SDE to levy against an offending LEA. Taken together with reduced staff for compliance reviews and the deregulatory emphasis found throughout the country, this creates a difficult situation.

Staff in most of the nine states we visited predicted less detailed monitoring or less frequent auditing. Pennsylvania formerly audited at three stages of project implementation, but now they expect to conduct only post hoc audits. In Colorado, Title I monitoring visits, now to be called "program reviews," will be optional; that is, the state will come in only at an LEA's request. The bulk of Georgia's Title I staff reductions will involve those engaged in monitoring and enforcement; the primary accountability tool will be assurances signed and submitted by

LEAs. Massachusetts foresees the possibility of scheduling monitoring visits to LEAs every other year instead of annually as they do now.

Most states in our sample do not plan to issue regulations, except for those that might be required by federal law or regulation. Instead, the nearly universal solution is to obtain signed assurances from LEAs that proper and sufficient records will be kept, parents consulted, nonpublic school students allowed to participate equitably, and the like.

Most states will issue guidelines to encourage some uniformity of practice. For Chapter 1, Massachusetts and Georgia intend to adapt Connecticut's handbook. California, Minnesota, and Alabama are beginning to develop Chapter 1 handbooks that should be completed by the end of 1982.[1] However, as one official stated, "we will not bestow a lot of rules on our districts, given the political situation and intent of Chapter 1."

All states in our sample will provide technical assistance when requested by LEAs, and all but one will issue policy guidance. The exception is Missouri, where an official stated that "Chapter 1 will operate the same as Title I unless or until the feds provide guidance to do otherwise." Many Title I managers regretted the absence of regulations, including the one who said: "It was easy to point to the regs and say, 'This is what you must do.' Now others--including some of your own people--will challenge your interpretation."

State responses to the need for guidance for Chapter 2 are remarkably similar, but the terminology used reflects interesting differences:

- Alabama will disseminate program and operations guidelines, along with a list of eligible expenditure areas.
- California will deliver guidance in attachments or directions in the LEA application.

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[1] Several attributed the delay to the tardiness of the U. S. Department of Education in issuing the "nonbinding guidelines" it had promised months earlier.

- o Kansas will follow a nondirective course, saying in effect: "We will keep our hands off the 80 percent. We will also say, here are some suggestions, but you don't have to use them."
- o Massachusetts and Minnesota will respond to LEA requests for assistance.
- o Missouri will provide minimal guidance.
- o Pennsylvania will issue a technical assistance package and implementation guides that will closely follow the law.

As the ECIA is implemented, plans to avoid regulation may be somewhat tempered by particular problems that arise. Certainly, new approaches and structures will emerge as state departments confront their new functions and responsibilities. Our site visits revealed that many departments once structured to deliver services along categorical program lines are now restructuring their staff responsibilities, emphases, and directions. Some departments had begun the shift from specialist to generalist functions before the passage of the ECIA. The new law will speed up the process of, as one respondent described it, "departments changing from grant-making organizations to brokers, linkers, and expert advice-givers."

SDEs seem to be responding to their new roles in one of three ways. Some see adjusting to the ECIA as more of an administrative than a substantive issue. This point of view was expressed by an official who remarked: "The block grant will have a very small effect on programs, but a very important effect on state administration." Other state officials view the ECIA as offering an "exciting" potential to focus on new roles (which are largely undefined as yet). Third, and most frequently, SDEs are not responding immediately to impending leadership changes "because the decrease in funds is too disruptive, affecting staff positions. Until that gets settled, we can't develop our philosophies."

Even where deliberate reassessment of state department roles is being postponed, parameters for SDE activities and functions are being set as more pressing funding decisions are made. These decisions and concomitant moves to establish program and service priorities are described in the next section.

FUNDING AND PROGRAM DECISIONS

The ECIA changes the distribution of federal funds to educational agencies. It also affects the services provided by SDEs to LEAs and by LEAs to program beneficiaries. The funding and program changes include the following:

- Some educational agencies--including departments of education, school districts that had formerly received significant ESAA, Title IV-C, and other competitive grants, and institutions of higher education and regional service centers--will experience federal funding reductions.
- Services provided by state departments of education--including auditing, monitoring, evaluation, research and information services, and technical assistance related to curriculum and program design--will likely be cut back.
- Most federally funded activities that are being cut will not receive increased state funding, but many states are making at least modest efforts to offset the redistributional consequences of the law by targeting funds to established program areas and to federally dependent school districts.

Distributional Effects of ECIA

The degree of adjustment required of states and localities to new federal formulas and funding levels varies dramatically. Under Chapter 1, the states in our sample expected to lose from 4 to 24 percent of their prior year's funding if Congressional continuing resolution levels were maintained. Districts with large concentrations of low-income children and with little or no carry-over funding will experience the greatest service reductions.

Under Chapter 2, the continuing resolution would have resulted in 25 states and the District of Columbia losing more than 5 percent of their antecedent program funds from the prior year, 13 states gaining more than 5 percent, and 12 states receiving approximately the same amount.[2] Northeastern and midwestern states with declining

[2] "States Gains and Losses Under Block Grants," Education Week, March 24, 1982, p. 15.

populations and states with urban districts that received ESAA funds in the past will suffer the deepest cuts. In most states, the majority of school districts will gain from the block grant, while large, urban districts will lose substantial amounts.

Urban districts in many states will lose half or more of their antecedent program funds under Chapter 2, as well as substantial funding from Chapter 1, federal child nutrition programs, Headstart, and other federal education programs. One estimate places the potential losses in federal education aid to 28 of the largest urban school districts at nearly $300 million, with five cities experiencing over half of the estimated reduction.[3] In several of our sample states, the largest cities had received nearly as much aid under Chapter 2 antecedent programs as the entire state allocation expected for this year. This situation induced one SEA official to declare, "This is not new federalism; it's no federalism. . . . Block grants are just a way to cut federal funds."

The redistribution of federal education funds, both within and among states, coupled with substantial (but as yet undetermined) reductions, has affected state funding decisions in several ways. In a few states with sufficient revenues, state education aid has been increased slightly to help offset federal cuts. In others, where both state and federal education revenues are declining, proposals for state-level deregulation and "unmandating" have been offered in an attempt to relieve fiscal pressures on local school districts. At the same time, some states have begun to shift portions of their funding responsibilities for specific education services to localities.

Chapter 2 Allocation Formulas

Allocation formulas for Chapter 2 flow-through funds reflect differential efforts to maintain prior funding patterns and varying state commitments to special pupil populations. Of the states in our sample, five stood to lose from 12 to 49 percent of their antecedent program funds under Chapter 2 continuing resolution levels of funding,

[3] "Urban Schools to Lose $300 Million Under Reagan's 1982 Plan," Education Daily, March 1, 1982, p. 5.

one (Minnesota) would gain more than 15 percent, and the remaining three would receive nearly the same amount. The big losers are states with districts receiving significant amounts of ESAA funds: Alabama, California, Georgia, Missouri, and Pennsylvania.[4] States that had received primarily only Title IV-B formula allocations in the past will experience the least change in overall allocation and the least intrastate redistribution of those funds.

As Table 3 indicates, high-cost pupil adjustments to the enrollment-based allocations range from 12 to 60 percent of the flow-through funds in our sample states. The Missouri and California formulas use pupil weightings, and California originally planned to apply the formula only after "hold-harmless" allocations to ESAA districts were made. These would guarantee a certain amount of funds to prior year ESAA recipients.[5]

All of the formulas make some adjustment for low-income children, ranging from 5 percent of allocations in Minnesota to 60 percent in Massachusetts. Five states with large numbers of rural districts adjust for spa.sity or small attendance areas to offset the diseconomies of scale such districts presumably experience.

Two states take low district wealth into account: Minnesota by adjusting for low property wealth and Alabama by adjusting for high tax effort in conjunction with low expenditures. Kansas includes a small adjustment for handicapped and gifted students, while Alabama has a substantial adjustment for superior academic achievement. Of the states in our sample, only California adjusts for students of limited English-speaking proficiency.

Not surprisingly, the more urbanized states and those with districts receiving substantial amounts of ESAA funding tended to make the largest adjustments for low-income and other special needs students in their formulas. They chose formulas, in part, to "target the cities,

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[4] Pennsylvania will actually receive a 3 percent increase under Chapter 2 for FY 1983, but it had lost a substantial proportion of its antecedent program funds between FY 1981 and FY 1982.

[5] The Department of Education did not approve California's original plan because of the hold-harmless provision.

Table 3

STATE FORMULAS FOR LOCAL CHAPTER 2 ALLOCATIONS

State Formula Factors and Measures	% or Weight
Alabama(a)	
Enrollment: No. of school-age children	80%
Low income: No. of Title I eligibles	8%
Tax effort: High local tax rate, low per pupil expenditure	2%
Academic achievement: No. of students scoring above 85th percentile on California Achievement Test	10%
California(a)	
Enrollment: Weighting for no. of school-age children	1
Low income: Weighting for no. of AFDC students (unduplicated count)	2(b)
Limited English proficiency: Weighting for no. of students (unduplicated count)	2(b)
Colorado	
Enrollment: No. of school-age children	83%
Low income: No. of Title I eligibles if at least 15%	16%
Small attendance areas: No. of students in district if less than 175	1%
Georgia(a)	
Enrollment: No. of school-age children	50%
Low income: No. of free or reduced school lunch recipients or no. of AFDC students	50%
Kansas	
Enrollment: No. of school-age children	88.1%
Low income: No. of Title I eligibles	9.3%
Special education: No. of handicapped and gifted students	2.1%
Sparsity: Population per square mile	0.4%
Massachusetts(a)	
Enrollment: No. of school-age children	40%
Low income: No. of AFDC students	60%
Minnesota	
Enrollment: No. of school-age children	85%
Low income: No. of Title I eligibles	5%
Economically depressed areas: Per pupil property value in lowest quartile	5%
Sparsity: No more than 5 students per square mile	5%

Table 3 (continued)

Missouri(a)		
Enrollment:	Weighting for no. of school-age children	1
Low income:	Weighting for no. of AFDC students (added to student count)	1(c)
Small attendance areas:	Weighting for no. of students in LEA if less than 250 (added to student count)	1(c)
Pennsylvania(a)		
Enrollment:	No. of school-age children	60%
Low income:	No. of AFDC students	35%
Sparsity:	Population per square mile	5%

(a) Subject to legislative approval.

(b) The formula for weighting special-need students is 2(no. of AFDC students + no. of LEP students)/statewide average of (no. of AFDC students + no. of LEP students). The formula is to be applied after ESAA districts are held harmless at 65% of FY 1982 funding for FY 1983 and at 35% of FY 1982 funding for FY 1984. The minimum grant to any LEA is $2500.

(c) The weighting for AFDC students is 1 if they are more than 20% of the student population and 0.5 if they are 10% to 20%. The weight for the number of students in an LEA is 1 if there are fewer than 250 students and 0.5 if there are 250 to 350 students. The maximum total LEA weighting is 2.0.

which were considered to have the greatest needs, while ensuring all communities an adequate award."[6]

Other states chose formulas that can perhaps be best explained by political values or mores. On the one hand, Minnesota, Kansas, and Colorado share a strong local control ethos that incorporates a view that all students and districts are equally deserving of state and federal support for the kinds of quality improvement programs included in Chapter 2.

On the other hand, Georgia and Alabama, though neighbors and similar demographically and in other ways, including their current year ESAA allocations, have dramatically different formulas. Georgia allocated half of the funds on the basis of poverty and half on enrollments. In Alabama, the adjustment for high academic achievement exceeds that for poverty because the committee felt that low-income children are already served by Chapter 1 and that Chapter 2 funds should be directed toward curriculum enrichment.

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[6] "Report of Education Block Grant Advisory Committee to the Massachusetts Board of Education," mimeograph, April 1982, p. 3.

State allocation formulas also reflect differing views of the role of federal aid in expanding educational opportunities. States whose formulas include large adjustments for low-income children tend to view the allocation of federal aid to disadvantaged pupils as essential to the achievement of federal equity goals. A Massachusetts SEA official expressed this view when he stated that it was "criminal to include ESAA in Chapter 2. It goes totally against the targeting principle."

A California official voiced a similar concern about local decisionmaking under the block grant, noting that effective targeting depends on a higher level of government, rather than the implementing level, taking the political responsibility for directing the flow of funds. A Colorado official who favors the block grant concept felt, nonetheless, that block grants should be used for more generalized purposes, such as staff development, while programs serving special student populations should still be targeted to those students.

The Department of Education has rejected state efforts to direct Chapter 2 funds to districts that formerly received large federal awards by using hold-harmless provisions in their formulas. The department refused to approve the Chapter 2 applications of California, New York, and Connecticut, which had planned to guarantee some proportion of antecedent program funding levels to LEAs that had received ESAA funds. Ultimately, these states found ways to define children in ESAA districts as high cost and thus to incorporate them into the formula. In California's case, the negotiations with the department delayed approval of the state Chapter 2 application until mid-September 1982, after the school year had begun.

State Funding of ECIA-Related Programs

At the time of our visit, most state officials expected that the ECIA funding cutbacks would not be offset by increases in state funds directed at similar programs or purposes. The states could not provide such funding primarily because of the current lack of state discretionary money. In some cases, however, states preferred to use available funds for state, rather than federal, priorities.

In states where budget deficits compound the problems created by multiple federal program cutbacks, legislatures seemed to support picking up child nutrition and AFDC services rather than education programs. At least four of our sample states were limiting state funding of special education programs. Three others were cutting back basic education aid to LEAs.

The exceptions to this general trend are the states with small surpluses and those with newly created sources. Georgia increased the state compensatory education program appropriation from $12.7 million to $16 million. This increase will extend remedial programs for low-achieving students to the tenth grade level. Another $5.5 million will provide "high technology training" in vocational-technical schools, and $50 million in new money will increase teachers' salaries and funding for school operations.

The Alabama legislature had also increased general state aid to schools at the time of our site visit, but it was forced to rescind much of the planned increase in September 1982 because of unexpected revenue shortfalls. The Colorado legislature was expected to increase basic education aid and state support for special education; any additional fund increases for local districts would be specifically directed at state board of education priorities.

States are unlikely to support SDE activities that had previously received federal funds. Even states that are not experiencing serious revenue problems are funding SDE budgets at static or declining levels. Other education organizations that had received funds under the Chapter 2 antecedent programs--such as institutions of higher education and regional service units--will lose their direct federal support in most states since they have no claim to the 80 percent flow-through monies and lack a constituency to argue for a portion of the state set-aside.

The regional units were created to provide more efficient special services (such as staff development, curriculum assistance, and cooperative service provision for special programs) to LEAs than many small districts could themselves provide. We do not know the fate of these service providers under Chapter 2. In most states, their federal funding will be diverted either to local or state educational agencies

and their services will be provided on a subscription or fee-for-service basis.

On the one hand, local districts that are pressed for funds may find it difficult to pay for the assistance the regional centers have provided in the past. On the other hand, particularly in states with many small districts receiving increases but small total allocations from block grants, the desirability of cooperative units for providing staff development and other technical assistance services may heighten the viability and usefulness of these regional centers.

In fiscally conservative states, the effects on state and local services of ECIA allocation decisions and funding cutbacks will not be apparent for another year or two because of the availability of carryover funds in FY 1983. After those are spent, states and localities with declining populations will have to adjust to what a Missouri official called the "double whammy" effects of the loss of federal funds and the lower entitlements of the 1980 Census. But, the older, federally dependent cities in states that have been fiscally stressed for several years have begun to retrench, and the already visibly reduced service levels will only contract further in the years immediately ahead.

PROGRAMMATIC PRIORITIES AND DECISIONS

Both Chapters 1 and 2 of the ECIA aim to give state and local educational agencies more flexibility in deciding how to use federal aid monies to advance federal purposes. The range of purposes encompassed by Chapter 2 is so great, in fact, that states and localities can really decide to focus on any of the broad federal objectives that match their own priorities.

Program management decisions for both parts of the ECIA are also more open than were their forerunners to state and local preferences. The ECIA puts fewer constraints on how and how much SEAs and LEAs should plan, monitor, audit, and evaluate their programs. This section describes the areas of programmatic emphasis envisioned by SEAs for their ECIA-funded activities and the program management decisions that the SEAs have made.

Uses of the State Chapter 2 Set-Aside

The most formal exercise in priority-setting for the ECIA during the planning phase occurred as SEAs--in conjunction with their advisory committees, boards of education, and, sometimes, state legislatures--decided how they would use the state portion of the Chapter 2 allocations. In most states, the advisory committees have discussed the use of these funds and submitted formal recommendations to the state board for approval. In nearly all of our sample states, the recommended plans must be approved by the state legislature, even where the legislature does not reappropriate federal funds. Table 4 summarizes the plans for SEA uses of their Chapter 2 set-asides as of this writing.

Most states are devoting some portion of the set-aside funds to SEA activities in support of state board of education priorities. These priorities usually center on local school improvement programs emphasizing basic skills and staff development. Funds are also designated for such individual state concerns as capital improvement in Georgia, youth employment in California, desegregation in Massachusetts, and early childhood education in Missouri. California and Massachusetts have singled out teacher centers for Chapter 2 support, while Missouri has set aside funds for the preparation and retraining of teachers for mathematics and science instruction.

Missouri's use of Chapter 2 funds to address a newly recognized and pressing state need represents perhaps the best example to date of a state's taking advantage of the opportunities offered by Chapter 2. A number of LEAs in Missouri engaged in annual personnel decisions had reported serious shortages of qualified mathematics and science teachers. The state responded to this problem by earmarking a portion of its Chapter 2 funds for the retraining and upgrading of teachers' skills in mathematics and science. The program was to begin during the summer when Chapter 2 allocations were received. In a fiscally strapped state like Missouri, the ECIA might provide the only opportunity for such a program to be offered quickly without waiting for a categorical program to be created specifically for this purpose.

Table 4

STATE PLANS FOR THE USE OF CHAPTER 2 SET-ASIDE FUNDS

State Use	% of Set-Aside
Alabama	
Administration and management	100
Comment: State advisory committee was to consider in detail at upcoming meeting.	
California	
SEA support for 7 areas of need:	
Academic curriculum and instruction	20
Youth employment	8
School climate	6.5
Parent involvement in education	3.5
Community education	3
Assessment, research, and evaluation	21
Management assistance to LEAs	7
Small grants to LEAs in 7 areas of need	18
Teacher centers	3.5
State board activities and meetings	2.5
SEA administration	6
Colorado	
Technical assistance to LEAs on high-priority needs	25-30
SEA support for state board priorities not being met by federal or state categorical programs	25
SEA administration	15-25
Dissemination of resources, curricula, and research	5-10
Comment: High-priority needs are basic skills, accountability, improvement of local practice, improvement of school climate, and coordination of staff development.	
Georgia	
SEA staff and ongoing activities, e.g., Title V programs, technical assistance to LEAs, state professional practices program (based on state board priorities), and, possibly, support for bilingual compensatory education	100
Comment: State board priorities are school improvement (curriculum and instruction assistance, remedial programs), equal opportunity (school finance and capital improvement), professional competence (certification and salaries), school-community relations, evaluation.	

Table 4 (continued)

Kansas	
SEA support for state board priorities; strengthening Title IV-C programs	100
Comment: State board priorities are teacher training, equitable finance, and planning and evaluation (assessment of needs and establishment of goals).	
Massachusetts	
Instructional improvement programs and support to local schools and LEAs in 4 priority areas	31
SEA leadership and support for planning, management, and program implementation	60
Special projects: basic skills and civil rights	9
Comment: Priority areas are teacher education and in-service training; instructional improvement programs; student support services; and desegregation.	
Minnesota	
Administration and management	75
Competitive grants to LEAs	10
SEA support for Title V activities, e.g., curriculum planning and instructional support services	15
Missouri	
Discretionary grants to local agencies for teacher and principal training, early childhood education, and teacher preparation for science and math instruction	74
SEA support for Title V activities and other state board priorities	13.5
SEA administration	12.5
Comment: State board priorities are teacher salaries, basic skills, early childhood education, and vocational education.	
Pennsylvania	
Grants to LEAs for school improvement programs	20.4
SEA support for technology and innovation projects	10.3
SEA field services to LEAs for planning, curriculum develoepement, and other technical assistance	47.2

Some of states have designated particular portions of the setaside funds to be used for grants to LEAs and other institutions in the manner of the earlier Title IV-C demonstration projects. These funds will be used in some cases to support existing projects that have been federally

funded; in other cases, the funds will initiate new projects designed to further the designated state priorities. The substantial pressure on many SEAs to send more than 80 percent of the Chapter 2 allocation to local agencies is reflected in the plans for additional flow-through monies in the form of demonstration grants. In other states, however, SEA staff expected that all of the "promising practices" activities funded by IV-C would end under Chapter 2.

Most states do not yet know the effects of Chapter 2 on state administrative and support activities. Because SEAs depended heavily on federal funds, reductions in their Chapter 2 support will significantly affect on their capacity to provide (1) leadership, dissemination, and technical assistance services to local districts and (2) the program management and regulatory functions they have conducted for federal and state categorical programs in the past.

The more prescriptive state set-aside plans may cause shifts in categories of activities or constrain the management of the required staff reductions. Staff cutbacks will necessitate trade-offs among program management strategies, based partly on state values and partly on constraints. Many SEA officials told us that monitoring, auditing, and evaluation activities would be reduced; a few said they would sacrifice technical assistance activities in order to conduct compliance checks properly.

Research and information services seemed likely to decrease in most states; only California earmarked a substantial portion of its set-aside funds for assessment, research, and evaluation activities. In Minnesota, the SEA evaluation staff are now completely supported by fees to LEAs requesting their services. In other states, evaluation services are being reduced or even eliminated, as are various kinds of information services, including statistical publications and data management activities. A few SEAs hope to offset staff reductions for data services by upgrading and enlarging their computer systems. Curriculum and other technical assistance functions also appear vulnerable. As one SEA official put it, "The kinds of dollars available dictate what services will remain--and regulatory programs must come first."

Local Uses of ECIA Funds

Chapter 1. Under Chapter 1 of the ECIA, local uses of funds are more flexible than in the past, but states still have some authority to guide local activities. The extent of that authority is somewhat uncertain, however, and many state Title I directors feel that they are walking a thin line between being too prescriptive and too flexible in their guidance to LEAs.

While most states have not directly restricted local uses of funds, Pennsylvania's guidelines suggest that Chapter 1 instruction be limited to reading, mathematics, English, English as a second language, and preschool. Several states have retained requirements for serving low-achieving students at the school level, and some have also kept requirements for detailed needs assessment procedures to ensure that whatever services are provided are carefully justified.

California and Minnesota require that LEAs demonstrate parent involvement in decisions about fund uses. California's consolidated application requires that district and school advisory committees review local plans to see if programs are directed to the needs of students identified for services. In Minnesota, a parent representative from the district or school advisory committee (or "other" parent group) must sign the LEA application before it is submitted to the state.

Most states are fairly unprescriptive about fiscal accounting for the use of funds, but they emphasize that supplanting is prohibited. Pennsylvania's application consists almost entirely of assurances that the law will be followed, but requires that a distinct audit trail be maintained and state fiscal procedures be used. The use of formerly applicable Title I provisions for administrative and fiscal procedures is explicitly encouraged.

The nervousness that is felt in many states about the role of the state in defining and enforcing proper uses of Chapter 1 funds is reflected in a section of Pennsylvania's Chapter 1 contract that requires the LEA to hold the SEA faultless if the SEA finds non-compliance or does not audit and the LEA is found to be noncompliant by the U.S. Department of Education. If the SEA has audited and found compliance, it will defend the LEA against federal audit exceptions.

Since Chapter 1 audits are generally conducted locally in Pennsylvania, the state is minimizing chances of being held accountable for local misuse of funds.

The lack of guidance from the federal government and many state governments about what constitutes acceptable practice for using Chapter 1 funds has led many SEA officials to fear that local districts will feel they have less flexibility than in the past with respect to such matters as attendance area selection and conduct of school-wide projects. One state official has identified at least ten former Title I provisions designed to allow more service flexibility that are no longer considered applicable to Chapter 1.[7]

Although a few states have specified that some of the flexibility provisions of Title I can be used for Chapter 1, the threat of audit exceptions has persuaded many state and local officials that they should not attempt any methods of service delivery not specifically authorized by the new law. Many, however, have retained other state-level Title I requirements regarding student eligibility, evaluation, and service comparability.

Chapter 2. The law specifies that local educational agencies are to have complete discretion in using their Chapter 2 funds within the stated purposes as long as they supplement and do not supplant state and locally funded services. The SEA officials whom we interviewed planned to take a hands off approach to the formal administration of Chapter 2, but their willingness to use informal influence strategies varied from state to state. Administrative perspectives on the state role ranged from one official's saying "I tell LEAs to tell me what they want to do and I'll find a way for them to do it," to another's remark that the SEA would "try jawboning" the LEAs to use their funds for staff development rather than purchasing equipment.

Many SEA officials predict that local districts will treat Chapter 2 funds as "soft" money, to be used to purchase books, equipment, or microcomputers rather than direct program services. Their prediction is based on the smallness of the funding (ranging from $4 to $10 per pupil) and the expectation that it will decrease further in the years ahead.

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[7] Charles M. Cooke, "Deregulation Through Consolidation," mimeograph, Department of Education, State of California, Sacramento, 1981.

Most states are encouraging small districts to pool their funds in the hope that cooperative arrangements will enable them to offer more substantial services. SEA officials are also concerned about the planning capacity of small districts that frequently have no central office personnel to handle the planning, evaluation, and reporting requirements of federal programs. Most such districts have participated only in the Title IV-B program in the past, which, because of its discrete purposes (the purchase of instructional materials and equipment) was administratively simpler than Chapter 2.

State and local administrators consider two aspects of Chapter 2 fund usage potentially troublesome. First, they may have difficulty determining that funds have been used to supplement, rather than supplant, locally provided services. The difficulty stems from the fact that (1) a wide range of services can be funded by Chapter 2 and (2) state and local revenue shortfalls are causing service cutbacks in many districts.

A determination of nonsupplantation requires a showing that federal funds have not been used to provide services that would otherwise have been provided with state and local monies in the absence of the federal program. As one SEA official remarked, the nonsupplant determination poses an "unsavory situation" in times of fiscal retrenchment because unambiguous compliance would require that programs once eliminated cannot be reinstated with federal funds, even if they could not have been offered without the federal money.

Most SEAs have dealt with the nonsupplant issue only by requiring assurances in the local application and, in some cases, advising LEAs to use Chapter 2 funds for new programs or service categories that have not been cut. This may mean that Chapter 2 purposes already sacrificed in budget reductions cannot be rescued with the block grant monies. State administrators generally believe that nonsupplant determinations will have to be made on a case-by-case basis during monitoring or auditing. As one commented, "We will know it when we see it."

The second potentially troublesome element of Chapter 2 administration involves the targeting of funds to public and nonpublic school students. State and local administrators are concerned that,

while high-cost children will help to generate block grant funds for local districts, the districts are not required to spend the funds on services for these children once the money reaches the local level.

Administrators are also concerned about whether the "equitable participation" of nonpublic school students means that those students must receive a per pupil share of all the block grant funds, a proportion of only the nonadjusted allocation, or a share based on their eligibility for the district-selected services. Although this provision is similar to one under Title IV-B, the access of nonpublic school students to the wider range of services that may be provided under Chapter 2 poses new questions. Some local officials fear that Chapter 2 allocations based on high-cost students must be given to private schools that have no high-cost children.

None of our sample states seemed likely to require any kind of intradistrict targeting of block grant funds based on high-cost students, nor did any expect to provide much guidance on how--or how much--block grant money should be spent on nonpublic school students.[8] Most applications will require LEA officials to consult nonpublic schools about their desire to participate and to give assurance that equitable participation will be provided.

Colorado LEAs designate the targeted student population for each Chapter 2 activity. One official there suggested that many districts might submit a two-part Chapter 2 application, with one part similar to the Title IV-B application providing for nonpublic school participation and the other a public school services application. LEAs in most states will be fairly free to determine how they will include nonpublic schools and their students. Missouri LEAs will avoid this question entirely if the state is granted its request for a bypass of nonpublic school funds on state constitutional grounds of church-state separation.[9]

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[8] The final regulations for Chapter 2, published after our site visits, contain an equal spending provision for nonpublic school students, tempered by allowable adjustments for their individual needs.

[9] By September 1988, Missouri's application had still not been approved pending resolution of questions as to how the bypass would be administered by the U.S. Department of Education.

Local decisions about the uses of Chapter 2 funds must be made in consultation with parents and other interested parties. In many states, existing advisory committees are expected to be used for this purpose. In the states with mandated planning, evaluation, and reporting systems or school improvement-type programs, state officials hope that LEAs will use existing decisionmaking structures to assess service needs and to obtain public opinion on Chapter 2 plans. In this regard, the ECIA may serve as a catalyst for the formation of consolidated, umbrella-type committees for structuring citizen participation. It may also strengthen the planning and assessment processes that already exist in many school systems--often by state mandate--by providing the school systems a source of discretionary funds.

SUMMARY

The ECIA presents numerous problems--as well as opportunities--to state and local educational agencies. The opportunities are best characterized by the prospect of SEAs and LEAs having greater leverage to do what they want to do. Missouri, for example, intends to use Chapter 2 funds to retrain and upgrade teachers' skills in mathematics and science. Other states are using Chapter 2 funds to meet new demands for upgrading technology training and to introduce new technologies into schools.

Many state and local officials recognize that ECIA funds enable them to address a number of other school improvement concerns. The paucity of funds, however, means that in the near-term most attention will be directed toward maintaining previously funded programs rather than undertaking new initiatives.

The problems posed by the ECIA concern the funding reductions it brings at a time when other federal and state funds are also being reduced, and the uncertainties it presents for decisionmakers and administrators. While the ECIA is intended to reduce administrative burdens and eliminate unnecessary requirements--which, in turn, is supposed to free administrative funds for services--it leaves decisionmaking relationships unclear and compliance standards uncertain. At the same time, the drastic cutbacks experienced by some states and

most cities could not be offset by any administrative savings, no matter how large.

Services will certainly be reduced under Chapter 1 in nearly all school systems and under Chapter 2 in at least the major cities. We do not know whether these districts will also have fewer administrative headaches or more discretion in the use of federal funds. By retaining most of the major fiscal requirements of the former categorical programs and deregulating only by not specifying compliance standards, the federal government has left states and localities in the unenviable position of allocating less money without knowing what flexibility they really have.

In addition, former Title I provisions allowing particular practices have been eliminated, while new comparability requirements have been added to Chapter 1. Finally, Chapter 2 requires a new, more complicated relationship between LEAs and nonpublic schools that will impose significant administrative costs on districts with large numbers of nonpublic school students.

The most frequently voiced concerns of state education officials about ECIA administration are the lack of direction provided by the U.S. Department of Education with respect to acceptable practices and the lack of clarity about the SEAs' authority. State officials who would like to encourage innovative practices are worried that future audits may not follow the nonbinding guidelines of the Department of Education. The extent to which SEA rules may overstep federal bounds is unknown.

The changing nature of authority relationships among state governmental actors complicates the SEAs' administrative task still further. The increasing prominence of state legislatures and state boards of education, and their coincident jurisdictional battles, leave many state department officials unsure of what course they should pursue in administering federal funds.

V. INTERGOVERNMENTAL IMPLICATIONS OF THE ECIA

In this, the final section of this report, we examine the potential effects of the ECIA on education funding decisions and its implications for intergovernmental relations. We also look more closely at how the consolidation will affect the capacity of state educational agencies to support innovation and improvement efforts and to provide leadership for the achievement of state educational priorities. We conclude with suggestions for future research on the effects of the ECIA on state and local administration and on education programs.

THE ECIA AS A RESPONSE TO INTERGOVERNMENTAL AID PROBLEMS

The new federalism, as represented by the block grants of the Omnibus Reconciliation Act, is based on the principles of decentralization of decisionmaking, deregulation, simplification, and increased flexibility. The ECIA incorporates all of these elements of the new federalism in an attempt to improve the effectiveness and efficiency of educational programs at the local level. These reforms are based on the theory that, as federal demands and constraints decrease, local administrators will be better able to direct federal funds toward activities that support and augment, rather than conflict with, local programs. In sum, more dollars will be used to support appropriate services to students, and fewer will be spent on administrative costs.

The extent to which the ECIA will achieve these goals may be assessed, in large part, in terms of the degree to which the law minimizes the external requirements or uncertainties that lead to the distraction of administrative attention and goal displacement within the local system.[1] In assessing how well the ECIA may be expected

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[1] Goal displacement occurs when increases in the variety of funding and authority arrangements in an organization's environment create a system of fragmented centralization. This system, based on central funding and controls in diverse specialized areas--without policy integration or centralization of general authority--generates lower-level bureaucracies that are organized around environmental demands and are increasingly decoupled from actual educational work. The effects of this decoupling on educational programs have been

to accomplish these tasks, however, one should distinguish between consolidation and deregulation as policy goals and the ECIA itself, which represents consolidation and deregulation under unique circumstances.

Among the environmental factors that will affect ECIA implementation is its passage through a hurried budget reconciliation process. As a result, the act lacks detail and specificity as well as legislative history to facilitate its interpretation. In addition, the Department of Education has taken a deliberately unprescriptive approach to rulemaking, clarifying a few questions in regulations and leaving most issues to be addressed in interpretive memoranda and nonbinding guidelines.

Other uncertainties at the federal level include the future shape and funding of federal education programs and the status of the Department of Education itself. In addition to the proposed elimination of the department, the division of responsibilities among it, the Office of Management and Budget (OMB), and the General Accounting Office (GAO) creates new administrative uncertainties. The GAO will develop the audit guide for the ECIA, OMB will outline the compliance requirements, and the Department of Education will administer the law in a manner that has not yet been fully clarified.[2]

Finally, fiscal retrenchment at the state and local levels will affect ECIA implementation along with that of other education programs. Moreover, the ECIA represents a reduced level of federal support for the

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described by John W. Meyer, The Impact of the Centralization of Educational Funding and Control on State and Local Organizational Governance, Stanford University, Institute for Research on Educational Finance and Governance, Program Report 79-B20, August 1979; Jane Hannaway, The Problem of Information and Regulation: The Case of Categorical Education Programs, Teachers College, Columbia University, New York, September 1980; Paul T. Hill et al., The Effects of Federal Education Programs on School Principals, The Rand Corporation, N-1467-HEW, February 1980; Jackie Kimbrough and Paul T. Hill, The Aggregate Effects of Federal Programs, The Rand Corporation, R-2638-ED, February 1981; and Edgar Klugman et al., Too Many Pieces: A Study of Teacher Fragmentation in the Elementary School, Wheelock/Malden Teacher Corps Collaborative, Boston, July 1979.

[2] "States Prepare for New Block Grant Responsibilities," Education Daily, April 1, 1982, p. 4.

programs it includes, and Chapter 2 is such a small proportion of federal education funding and intergovernmental aid generally that it may attract little attention to the admirable program goals listed above.

Given these contextual influences and the particular elements of the law itself, what can the ECIA accomplish in addressing the problems--implementation, effectiveness, efficiency, and accountability--of intergovernmental aid programs? In the perceptions of most of our respondents, the ECIA will help to solve some implementation problems while creating some new ones.

The ECIA has the potential to increase program effectiveness and efficiency by providing more flexibility. The likely atrophy of some federal purposes under the ECIA, however, may have negative long-range effects on local educational practices. The new act may increase accountability at the state level by involving statewide advisory committees and state legislatures, but because it does not really decentralize authority, it may leave most problems of political responsiveness unsolved.

Implementation

The implementation problems that have plagued federal education programs are basically characterized as administrative concerns: excessive paperwork, cumbersome procedures, lack of clarity, difficulty of coordination, prescriptive regulations, and unworkable divisions of authority. These problems impede the smooth functioning of programs by diverting administrative attention from substantive program goals to administrative matters that then begin to take precedence over efforts to improve educational services.

In some ways the ECIA will reduce administrative burdens. State and local applications for Chapters 1 and 2 funding are shorter than those for earlier programs and appear to be simpler in most states. The elimination of multiple applications and reporting systems under Chapter 2 will help states and localities that participated in past programs. Districts with large numbers of nonpublic school students, though, will assume more substantial administrative tasks for including those schools in planning and services than was previously the case.

The administrative paperwork burden for LEAs will vary substantially from state to state, depending on state application and reporting requirements. For example, Chapter 1 applications range in size from one page in Kansas to 40 pages in Georgia. Simplified application procedures may be misleading, however. As a Massachusetts official told us, "Local districts will still have to maintain the same records as they have in the past, so deregulation won't really be felt at the local level."

The goal of reduced record-keeping requirements under the ECIA is unlikely to be widely realized because of the law's failure to address two other administrative concerns mentioned above: clarity of requirements and divisions of authority. States and localities do not know how they will be expected to demonstrate compliance with the new law or what degree of authority they have to set their own policies and standards.

Ironically, the lack of regulatory prescriptiveness (among other reasons) led our state respondents to believe that they would have less discretion in administering the law. This perception stems not from a desire on the part of state officials for federal regulation but from a recognition of the fact that the ECIA does not truly decentralize decisionmaking authority.

Although Chapters 1 and 2 of the act give more responsibility for decisionmaking to states and localities, Chapter 3 retains federal authority to deliver sanctions without providing clarification as to the limits of federal, state, or local powers. While the act requires decentralized decisionmaking--in the sense that many decisions are denied to the Secretary of Education--the shifting of other decisions from rule-based to discretionary in fact heightens the importance of the central decisionmaker.

Taken together, the various provisions of the ECIA significantly centralize decisionmaking. Lacking clear guidelines, states and local districts must base their decisions on what they think will be acceptable to the Department of Education and, ultimately, the GAO auditors. The constraints of uncertainty can prove more limiting than objective constraints that, once satisfied, would define a sphere of allowable discretion.[3]

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[3] Excellent analyses of organizational responses to uncertainty are found in Paul R. Lawrence and Jay W. Lorsch, Organization and

By retaining important fiscal requirements and granting broad enforcement powers to the secretary while failing to define compliance standards, the Administration is pursuing a course of nonregulation rather than deregulation. This course creates a kind of federal control that is less predictable because authority remains centralized but guidance does not.

Ultimately, the potential of the ECIA for improving education program implementation will depend on the degree to which the Department of Education reduces the administrative uncertainties that constrain state and local decisionmaking and create administrative burdens.

Effectiveness

The ECIA presents both opportunities for and dangers to program effectiveness. The dysfunctional consequences of former categorical programs may be reduced under Chapter 2 because funds may be pooled for high priority services and programs rather than confined in specified amounts to discrete single-purpose activities too small to effect real change. Owing to the meagerness of most district allocations, though, even pooled funds may be inadequate to support significant innovation. Districts that lose substantial funds under the new Chapter 2 formula will have a still more difficult time resisting local political pressures to apportion funds among all of the previous federally supported activities. Even those that retain only high-priority programs will be faced with managing service reductions rather than growth opportunities in those programs.

Although apparent opportunities under Chapter 1 for more flexible uses of funds in conjunction with local programs and priorities suggest the possibility of greater program effectiveness, at least three features of Chapter 1 may work against this outcome. First, omission from Chapter 1 of a number of Title I provisions allowing greater LEA flexibility and discretion with regard to targeting creates uncertainty. Many state officials believe that this omission will reduce local

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Environment, Richard D. Irwin, Inc., Homewood, 1969, and James D. Thompson, Organizations in Action, McGraw-Hill, New York, 1967.

discretion in tailoring services and programs to meet school and student needs. Second, the change in targeting requirements may increase possibilities for apportioning funds and services among more schools and students. Most states, however, are maintaining eligibility and evaluation requirements that tend to encourage the concentration of services. Third, a substantial funding reduction, which most states either will not or cannot address, accompanies Chapter 1.

Demonstrating program effectiveness under the ECIA may be more difficult than under the antecedent programs. Specific evaluation requirements have been dropped from the law, and many states are uncertain as to what kinds of evaluation and reporting requirements they can impose on local districts. Some are nonetheless taking a fairly directive approach to the question of evaluation, fearing, on the one hand, that failure to do so will result in inadequate statewide evaluation reports to the Department of Education and, on the other hand, that failure to demonstrate program effectiveness will undermine political support for the programs and lead to their eventual elimination at the federal level.

Even states that recognize the need for systematic program evaluation feel hampered in at least two respects. First, the success of Chapter 2 programs will be difficult to evaluate because of the wide range of disparate program purposes allowed and the small amount of money devoted to them. Second, the effects of these expenditures across an entire state, particularly where the funds are treated as "soft" money, will be difficult to determine.

State officials who view the consolidation as undercutting support for research and development at the state level foresee a more far-reaching problem. Because Title V support for strengthening state educational management and Title IV-C support for demonstration projects and dissemination of promising practices are folded into the block grant, funds are no longer earmarked for SEA research, evaluation, and information services.

As we noted earlier, respondents in many of our sample states reported that research and development activities were being reduced to maintain other, more visible and immediate functions. Furthermore, institutions of higher education and regional resource centers, which

have also supported significant research and development with antecedent program funds, are omitted from the formula allocations under Chapter 2. These changes have long-range implications not only for the evaluation of education programs but also for the future of educational improvement efforts.

The national goal of continued improvement and renewal of the educational system requires that state and local educational agencies invest in program and staff development activities based on knowledge of promising practices as well as feedback on system performance.[4] Historically, school systems have underinvested in R&D activities.

Local educational agencies tend to neglect research and development for a number of reasons. They are preoccupied with the pressures of day-to-day operations; they receive few immediate district-specific returns on such investments; they must respond to political pressures to maximize services and minimize "superfluous" activities; and they have lacked expertise at the local level. Until the last decade, states also underinvested in research and development because the state role in educational improvement was considered limited and because little investment and human capital was available in state educational agencies.

Over the past decade, federal education programs have strengthened the capacity of state and local educational agencies to generate and use innovative strategies. This has been accomplished largely by earmarking funds to SEAs for these specific purposes. The primary sources of these funds are now consolidated in Chapter 2. As we noted, the state legislatures in all of our sample states--even those that increased aid to local districts--have cut back SEA support. Although a few states, including California and Massachusetts, have earmarked a significant portion of Chapter 2 funds for research and development, these funds represent a reduced level of R&D support.

The use of new educational technologies supported by Chapter 2 will likely reflect the potential disequilibrium between the supply of and demand for knowledge of educational improvement strategies. A number of

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[4] Thomas K. Glennan, Jr., "Renewal and Improvement of Elementary and Secondary Education: Some Speculations Concerning the Impact of Federal Policy," Remarks at a conference held at The Urban Institute, Washington, D.C., June 23, 1982.

states have decided to pursue "technology initiatives" with their Chapter 2 funds and supplemental state monies. In addition, the small amount of Chapter 2 funds going to local districts and their expectation that the program will disappear have led some LEAs to designate the funds for equipment purchases--often microcomputers--rather than personnel.

The purchases of microcomputers and other new educational technology packages may leave many states and localities with powerful tools for educational change but limited knowledge of how to use these tools with existing staff resources and habits of program management. Whether states and localities can overcome the disincentives to invest in the production and dissemination of this knowledge without the presence of a clear federal role remains to be seen.

Before the ECIA can increase program effectiveness, the federal government must (1) provide relatively stable funding, (2) set program parameters, and (3) define the limits of SEA discretionary authority and the states must understand the federal guidelines. Educational improvement strategies and resources, especially, require federal funds to ensure their development, dissemination, and utilization. Although the states can take the lead once funds, guidelines, and discretionary authority are established, the federal government must take the responsibility for stimulating research and development. As of this writing, the federal government has not indicated its intentions.

Efficiency

Block grants and the deregulation accompanying them are supposed to encourage more efficient service delivery by reducing administrative burdens and costs and improving the targeting of resources. The elimination or reduction of fiscal constraints should, theoretically, reduce accounting and record-keeping and resources for services so that they may be directed to areas and populations of greatest need.

Most of our respondents thought that the ECIA might lead to a greater concentration of resources on identified areas of need, primarily because of the Chapter 2 consolidation. Few believed, however, that it would reduce administrative burdens substantially--and certainly not enough to offset the decrease in funds--partly because

the ECIA retains the major fiscal requirements of the antecedent programs and partly because state educational agencies must assume increased administrative responsibilities. Furthermore, the ECIA increases state and local obligations by requiring SEAs and LEAs to include nonpublic schools in the planning, design, and delivery of Chapter 2 services.

The consolidation may improve the targeting of resources if state and local educational agencies can resist political pressures to allocate funds to all special interests represented by constituent groups. Controls had to be placed on previous block grants because concessions to these political forces tend to undermine federal purposes when the funds are treated as general aid. The ECIA provides little specific guidance for targeting under Chapter 1: the law seems to allow for greater diffusion of funds (through the "all such children" provision) while leaving unresolved such questions as local discretion in targeting funds to previously served schools and students as well as to all students in schools with heavy concentrations of poverty.

The efficient use of ECIA resources will ultimately depend on how well states and localities can develop simpler, less intrusive, and more educationally appropriate procedures for allocating and tracking funds to programs and students. The chances that they will modify or abandon previously used, cumbersome, or inefficient methods of service delivery will increase if they know what compliance standards will apply to such matters as the selection of eligible attendance areas and students under Chapter 1, the equitable participation of nonpublic school students under Chapter 2, and the demonstration of nonsupplantation under both chapters. To the extent that SEAs--in the face of questions about their own authority--aggressively confront these matters, localities will be more likely to depart from past practices. To the extent that guidance is lacking, the ECIA will likely encourage conservative responses that retain most of the procedural trappings of past categorical programs.

Accountability

Accountability in service provision requires political responsiveness and feedback about program results. The responsiveness of a political system is a measure of the degree to which it can convert incoherent and diffuse public preferences or goals into specific, responsive public decisions and institutional actions.[5] In theory, the involvement of generalist, elected officials in programmatic decisionmaking increases accountability because elected officials have a better sense of popular wants than appointed officials and because they are held accountable for program results through the electoral process.

Although block grants typically provide for the involvement of elected officials, the ECIA follows the pattern of most categorical programs in specifying the state executive agency as the body responsible for submitting plans and evaluating programs.[6] The Chapter 2 requirement for a statewide advisory committee somewhat offsets the bureaucratic orientation of the law, but the committee is appointed by the governor and is intended only to advise the SEA. Nonetheless, we found in our sample states that initially, at least, state legislatures and elected boards of education are likely to play a significant role in overseeing the uses and allocations of ECIA funds.

According to recent studies, the involvement of state legislatures is likely to improve state agency accountability and to enhance the prospects for full state support of grant projects.[7] State agency officials reported that legislative oversight "led to a clearer statement of state priorities and a stronger commitment by the state, not just an agency, to particular programs."[8] Furthermore, the

[5] Advisory Commission on Intergovernmental Relations (1980).

[6] General Accounting Office, Federal Assistance System Should Be Changed to Permit Greater Involvement by State Legislatures, Washington, D.C., U.S. Government Printing Office, 1980.

[7] Ibid. and "Report on the Prevalence and Effect of State Laws Requiring Legislative Reappropriation of Federal Funds Intended for Use by Public Agencies and Institutions of the State," Office of the General Counsel, Department of Health, Education, and Welfare, Washington, D.C., February 1979.

[8] General Accounting Office, 1980, p. 45.

legislative reappropriations process apparently caused no excessive delay nor did it increase inefficiency. State legislative involvement appears to benefit federal interests while strengthening the federalist system by balancing intergovernmental and interbranch authorities.[9]

While some state officials in our sample expressed concern over the uncertainties created by legislative oversight, others cited such benefits as increased knowledge of and commitment to federal programs and their purposes. Although this legislative interest is not attributable to the ECIA, the act may benefit from its existence.

SEAs with reduced staffs may, however, have difficulty responding to the information demands that increased legislative involvement will impose. As we noted earlier, information and evaluation services have thus far been cut substantially in many SEAs with declining resources. Furthermore, evaluation--an aspect of accountability--may suffer because of both the diverse nature of the consolidated Chapter 2 programs and the uncertainty among SEA officials about what evaluation requirements they can impose on local districts. Even if evaluation requirements were more carefully defined, traditional evaluation may not be appropriate for a program distributing so little money so widely for so many program purposes.

At the local level, cuts in evaluation resources, as well as difficulties in evaluating the diffuse Chapter 2 program without state assistance or guidelines, may erode accountability. Moreover, the repeal of advisory committee requirements threatens to cut local bureaucracies off from constituent opinion. Respondents in most of our sample states expected to see parent advisory councils disappear in some LEAs but thought they would be retained in some form in the majority of districts. Most states that require LEAs to systematically consult client group representatives encourage the LEAs to retain parent advisory councils to satisfy that requirement. Many state officials view the prospect of simpler, more rationally structured advisory committees emerging in districts that had previously had many small, overlapping units as a potential benefit of the new law.

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[9] Carol S. Weissert, "State Legislatures and Federal Funds: An Issue of the 1980s," Publius, Vol. 11, Summer 1981, pp. 67-83.

Maintaining Federal Interests

Federal grants give states and localities the financial wherewithal to pursue federal goals. Below, we assess the effects of the ECIA on two areas traditionally promoted and sponsored by the federal government: research and development and equal educational opportunity.

Support for educational research and improvement is one of the longest standing federal roles in education and was one of the primary purposes of the original Department of Education, formed in 1976. This goal figured prominently in the National Defense and Education Act, the Cooperative Research Act, and the Elementary and Secondary Education Act of 1965. Federal programs of the 1970s explicitly recognized the need to develop the capability of state and local educational agencies to generate and use research and development findings.

The resources supporting educational renewal in states--trained personnel, dissemination networks, organizations involved in demonstration projects, and investment capital--have increased the supply of innovative strategies available to local districts. Other policies that have focused attention on educational needs--student and teacher competency testing, planning and assessment requirements, and the introduction of new technologies--have created a demand for change and for information about promising practices.

The ECIA, however, largely eliminates federal protection of the state and local R&D function. As demands for educational improvement knowledge increase with concurrent needs to adapt to declining resources in the face of heightened expectations, the supply side of the educational improvement market may collapse because it has not been treated as a federal function worthy of protection. The use of educational improvement knowledge may also atrophy if states and localities cannot afford to support existing dissemination networks.

Similarly, the Emergency School Aid Act provided funds to districts undertaking desegregation. The federal role in promoting equity has gone beyond nondiscrimination enforcement to the provision of incentives for affirmatively redressing the effects of past discrimination, as under ESAA.

The inclusion of ESAA in Chapter 2 largely eliminates federal financial support of desegregation. Moreover, ESAA's demise has a further consequence for nondiscrimination. The Education Department's Office for Civil Rights (OCR), charged with enforcing nondiscrimination, had sign-off responsibility on ESAA grant applications. This authority gave OCR enormous leverage in reviewing school district treatment of protected groups. LEAs complied with OCR dictates rather than lose ESAA funds.[10]

At least in terms of R&D and equity, the ECIA will likely lessen the pursuit and implementation of federal purposes. The reasons are political. The federal government became involved in these matters because states and localities were unable or unwilling to address them. Federal intervention in the form of direction, oversight, or financial backing was needed because the goals were politically unpalatable or lacked promising (and immediate) returns on investments. Moreover, a certain amount of regulation was necessary to prevent funds from being treated as general aid.

State and local officials are unlikely to support functions that are not highly visible or that do not have substantial popular backing for reasons of constituency satisfaction, interest group pressure, lack of investment capital, or disinterest. They must be offered some incentive to invest in these efforts. Heretofore, the federal government has often provided that incentive by absorbing political and/or financial costs.

With no clear incentive to do so, many states and localities will not support these federal goals. Significant R&D investment, for example, is unlikely in the face of demands for higher teacher salaries. Given the present decline in overall educational resources, only the few states that have developed their own political commitment may be expected to pursue these goals.

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[10] Paul T. Hill and Ellen L. Marks, Federal Influence Over State and Local Government: The Case of Nondiscrimination in Education, The Rand Corporation, R-2868-NIE, December 1982.

SUMMARY AND CONCLUSIONS

The ECIA represents a small first step toward realigning the federal intergovernmental aid system. It is a small step both because the consolidated programs represent a tiny fraction of education revenues and because the amount of real deregulation accompanying the new law is minimal. Indeed, in some ways the ECIA increases the importance of centralized decisionmaking because it is being administered through a policy of nonregulation, i.e., nonspecificity, rather than deregulation.

Although marginal, the changes in intergovernmental education aid introduced by the ECIA will have important effects on federal and state educational policies and policymaking. As the first of the Reagan Administration's proposed education block grants, it has significant precedential value for decisionmakers at all levels of government. In addition, its redistributional consequences for some jurisdictions are important, and its implications for certain federally supported purposes and activities are profound. Much of the ultimate effect of the ECIA on education programs will depend on the states' responses to the new responsibilities vested in them. Many of these responses will be shaped by actions not yet taken by the Department of Education.

The redistributional effects of the ECIA consist of shifts of funds from cities, older urbanized states with declining populations, and public school students. The general direction of these redistributions from more to less disadvantaged populations led one chief state school officer to characterize the law as a precursor of the "new feudalism."[11] Some states have sought to offset these redistributional effects by enacting Chapter 2 formulas that direct funds to districts and students previously served by the antecedent programs either through hold-harmless provisions or substantial poverty adjustments. Few states have been willing or able to compensate for federal funding losses by augmenting similar-purpose state categorical programs. The substantial reductions in Chapter 1 funds, especially, seem unlikely to be offset by state fund increases.

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[11] "Chief State School Officers Want a Word with Federal Policymakers," Education Daily, April 1, 1982, p. 6.

Programmatic effects will vary substantially from state to state. Nearly all districts will reduce Chapter 1-funded compensatory education services, but the degree of local flexibility in using those funds will depend largely on the willingness of SEAs and LEAs to risk exercising discretion that they are not sure they have. Chapter 2 programs at the state level will reflect state priorities probably better than previous federally supported activities, but they will serve some federal purposes--like research and development--less well in most states. The federal role in financing desegregation efforts will largely disappear.

Locally, Chapter 2 funds are expected to support materials and equipment purchases (especially those supporting new technologies) and, where resources are sufficient, basic skills programs. Some state agencies will encourage staff development activities, but these will most likely represent a reduced level of support from previous programs.

Politically, the ECIA, along with the other new block grants, will place more pressure on state-level actors from constituent groups that previously addressed themselves to the federal government. On the one hand, this process is likely to encourage the involvement of elected officials in decisionmaking and may thereby heighten accountability. On the other hand, it may also lead to the diffusion of funds if officials accede to special interests in fund allocation decisions.

The potential for improved accountability may also be undermined by the reduced capacity of state and local educational agencies to effectively evaluate their new programs, especially if political pressures to eliminate "nonessential" activities continue. Declining federal and state revenues imply less evaluation and, hence, less accountability.

State officials in our sample believe that the administrative aspects of the ECIA--those most likely to affect its implementation and those most important for intergovernmental relations--present the greatest problems. They are keenly aware of the ambiguities in Chapter 3, which effectively extends responsibilities to states with one hand while withholding controls with the other.

State officials consider the retention of ultimate authority at the federal level without clear enforcement standards to be more limiting than specific regulations. Many would prefer the explicit delegation of authority to the states in the form of a provision that the standards adopted by state agencies and approved by federal agencies will provide the criteria for compliance reviews and audits. Without this provision, most state officials maintain that deregulation has not occurred.

The numerous ambiguities created by the passage of the ECIA and its administration by the Department of Education were pointed out to us again and again by state administrators. The department's unresponsiveness to questions of clarification was seen as an administrative hindrance by most and as a potential threat by many. Unpredictability is one of the most significant obstacles to effective program implementation, and the prospect of unanticipated audit exceptions seemed to trouble state-level program planners as much as the possibility of further reductions in federal funds.

In sum, while most state officials agreed with the intent of the ECIA and thought that it created opportunities for more effective and efficient service delivery, they also pointed out significant shortcomings in the act that tend to subvert the purposes of consolidation and deregulation. Their comments and policy responses suggest that future efforts at redefining the federal role should include at least the three following important features:

- o A more careful sorting of federal, state, and local functions, with explicit protection for federal purposes not likely to be assumed by smaller jurisdictions
- o Clearly specified rules to meet essential federal requirements
- o Explicit delegation to states and localities of authority over the uses of other consolidated program funds.

More careful attention to these features might produce a new federalism that addresses the problems of the old federalism without undermining its accomplishments.

RECOMMENDATIONS FOR FURTHER RESEARCH

The conclusions of this report are based on a review of state planning and preliminary decisionmaking processes and the expectations of state officials regarding the ECIA's effects. Further research on its effects should focus on the administrative and programmatic changes that actually occur after it is implemented. Specifically, future studies should examine:

- The degree to which the ECIA actually reduces administrative burdens, minimizes record-keeping and reporting, and provides more flexibility for state and local program decisions
- The degree to which the ECIA results in the distribution of federal program funds to functional areas and populations of federal interest
- The extent to which the ECIA encourages more coordinated program planning, better targeting of resources, and incentives for the demand and supply of educational improvement strategies
- The ways in which the ECIA either increases or decreases state and local control over educational policy decisions
- The effects on program decisions of the increased involvement of state legislatures, state boards of education, governors, and other state-level actors
- The effects on state and local decisionmaking of the regulatory and informal influence strategies adopted by the U.S. Department of Education, the Office of Management and Budget, and the General Accounting Office.

Planners of future initiatives under the banner of the new federalism should take into account the intended and unintended consequences of the ECIA's approach to consolidation and deregulation. Most important, they must understand the federal grant-in-aid strategies that can preserve federal interests while promoting state and local control over decisions best made at those levels of government.